



portfolio watch

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



March 2009

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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	-2.4	-9.7	-12.4	-13.2	-6.7	-1.5	3.6
Diversified Investment Strategy No 2	-4.8	-17.5	-22.3	-24.5	-15.6	-6.9	2.7
Diversified Investment Strategy No 3	-5.4	-19.7	-25.1	-27.7	-18.2	-8.7	2.1
Diversified Investment Strategy No 4	-7.1	-23.8	-29.9	-32.8	-22.1	-11.4	1.0
Diversified Investment Strategy No 5	-5.5	-19.2	-23.3	-24.8	-15.8	-6.4	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 % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Australian Cash Sector	0.3	1.5	1.1	3.5	4.4	5.0	5.4
Australian Cash Sector - Strategy 5	0.3	1.5	1.1	3.5	4.4	5.0	n/a
<i>UBSA Bank Bill Index</i>	1.0	2.7	4.7	6.7	6.8	6.6	6.3
Alternative Income Sector	2.3	-9.2	-14.8	-12.6	-3.4	-0.2	n/a
Alternative Income Sector - Strategy 5	2.3	-9.2	-14.8	-12.6	-3.4	-0.2	n/a
<i>UBSA Bank Bill Index</i>	1.0	2.7	4.7	6.7	6.8	6.6	6.3
Australian Fixed Interest Sector	0.1	6.7	11.9	12.5	7.6	6.3	6.3
Australian Fixed Interest Sector - Strategy 5	0.4	6.8	12.4	12.8	8.5	6.9	n/a
<i>UBSA Composite Bond Index</i>	0.3	6.6	12.3	12.8	8.4	6.8	6.4
International Fixed Interest Sector	0.3	2.3	2.1	1.1	4.1	4.8	5.5
International Fixed Interest Sector - Strategy 5	0.3	4.0	3.2	1.8	5.1	5.4	n/a
<i>Barclays Capital Global Aggregate (Hedged) Index</i>	0.6	5.5	7.6	7.0	7.5	7.1	6.6
Australian Property Sector	-22.3	-49.9	-53.7	-60.9	-47.0	-28.6	-12.2
Australian Property Sector - Strategy 5	-22.4	-49.4	-51.7	-58.5	-44.6	-26.8	n/a
<i>S&P/ASX 300 A-REIT Index</i>	-24.1	-49.3	-50.2	-58.1	-43.6	-25.8	-10.3
Global Property Sector	-22.5	-51.7	-53.8	-58.1	-42.6	-24.8	n/a
Global Property Sector - Strategy 5	-22.3	-51.3	-53.4	-57.8	-42.4	-24.8	n/a
<i>UBS Global Investors Index in AUD Hedged Net Div</i>	-24.5	-53.5	-53.9	-57.9	-42.6	-25.2	n/a
Australian Shares Sector	-3.1	-19.1	-26.1	-29.0	-19.0	-7.3	5.7
Australian Shares Sector - Strategy 5	-5.1	-18.5	-22.8	-26.9	-18.0	-6.8	n/a
<i>S&P/ASX 300 Accum Index</i>	-1.8	-20.0	-28.6	-29.8	-19.3	-7.4	5.4
International Shares (Unhedged) Sector	-11.1	-22.0	-22.2	-26.9	-20.7	-14.2	-2.2
International Shares (Unhedged) Sector - Strategy 5	-12.9	-25.3	-25.5	n/a	n/a	n/a	n/a
<i>MSCI World Ex Australia (\$A Unhedged) Index</i>	-11.9	-21.9	-19.1	-24.5	-19.7	-13.2	-1.8
International Shares (Hedged) Sector	-8.8	-30.7	-41.0	-40.7	-26.0	-15.3	-2.9
International Shares (Hedged) Sector - Strategy 5	-10.5	-34.0	-43.7	-44.7	-30.1	-17.3	n/a
<i>MSCI World Ex Australia (\$A Hedged) Index</i>	-10.3	-30.8	-38.6	-38.7	-24.9	-13.9	-2.1
International Smaller Companies Sector	-11.1	-22.1	-22.3	-29.0	-27.2	n/a	n/a
<i>S&P/Citigroup World <US\$1.5bn Cap (AUD Unhedged Net Div)</i>	-11.7	-25.7	-23.9	-29.2	-25.3	-18.3	n/a
Global Emerging Markets Sector	-1.5	-24.2	-35.3	-38.2	-18.1	-9.5	4.4
<i>MSCI EM in \$A (div reinvested)</i>	1.3	-17.0	-26.3	-30.5	-13.6	-7.4	7.9
Alternative Investments Sector - Alpha Strategies	2.2	-2.4	-12.0	-5.9	2.5	4.6	n/a
Alternative Investments Sector - Alpha Strategies - Strategy 5	2.2	-2.4	-12.0	-5.9	-0.6	2.3	n/a
<i>UBSA Bank Bill Index</i>	1.0	2.7	4.7	6.7	6.8	6.6	6.3

Notes:

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

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

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

manager & market performance

(3 mths, gross of funds mgt fees)

asset class	manager return %	market return %	above/below index %
Australian Cash Sector			
AllianceBernstein	0.3	1.0	-0.6
Alternative Income Sector			
PIMCO	2.3	1.0	1.3
Australian Fixed Interest Sector			
BGI Index	0.4	0.3	0.1
Credit Suisse	0.0	0.3	-0.3
International Fixed Interest Sector			
BlackRock	0.2	0.6	-0.5
PIMCO	0.3	0.6	-0.3
Australian Property Sector			
BGI Index	-22.6	-24.1	1.5
A-REIT Active Multi-Manager Trust	-22.3	-24.1	1.8
Global Property Sector			
CBRE	-19.4	-24.5	5.2
LaSalle	-26.5	-24.5	-2.0
Australian Shares Sector			
BGI	-2.0	-1.8	-0.2
Integrity	0.2	-1.8	2.1
Schroders	-2.4	-1.8	-0.6
Maple-Brown Abbott	-4.7	-1.8	-2.9
Investors Mutual	-3.8	-1.8	-2.0
Wallara	-2.1	-1.8	-0.3
Bernstein Value	-2.5	-1.8	-0.7
MIR	-9.6	-1.8	-7.8
International Shares (Unhedged) Sector			
Enhanced Investment Technologies	-11.0	-11.9	0.9
Alliance	-8.8	-11.9	3.2
Arrowstreet	-10.4	-11.9	1.5
GMO	-10.0	-11.9	1.9
Bernstein	-13.0	-11.9	-1.0
LSV	-13.4	-11.9	-1.5
International Shares Index	-11.7	-11.9	0.2
International Shares (Hedged) Sector			
Enhanced Investment Technologies	-8.7	-10.3	1.6
Alliance	-6.4	-10.3	3.9
Arrowstreet	-8.1	-10.3	2.2
GMO	-7.7	-10.3	2.6
Bernstein	-10.6	-10.3	-0.2
LSV	-11.0	-10.3	-0.6
International Shares Index	-9.4	-10.3	0.9
International Smaller Companies Sector			
Arrowstreet	-11.1	-11.7	0.6
Global Emerging Markets Sector			
Legg Mason	-1.5	1.3	-2.8
Alternative Investments Sector - Alpha Strategies			
ipac Diversified Alpha Fund	2.3	1.0	1.3

Notes:

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

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

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

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

During March 2009 Challenger was removed from the line up of Australian share managers. Assets previously held by Challenger have been reallocated among incumbent Australian shares managers.

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 rebound in March was driven by the fact that economic releases suggested that the environment was 'less bad' than it might have been. Given how far markets fell earlier in the year, 'less bad' economic data translates to improved markets.

It is our expectation that 2009 will be volatile as investment markets respond to further negative economic news. Our baseline outlook continues to assume that the global economy shows signs of recovery late in 2009, but more convincingly in 2010, in response to massive economic policy stimulus. However, we cannot rule out the possibility that the global financial crisis and associated dislocations in credit markets persist for longer than expected.

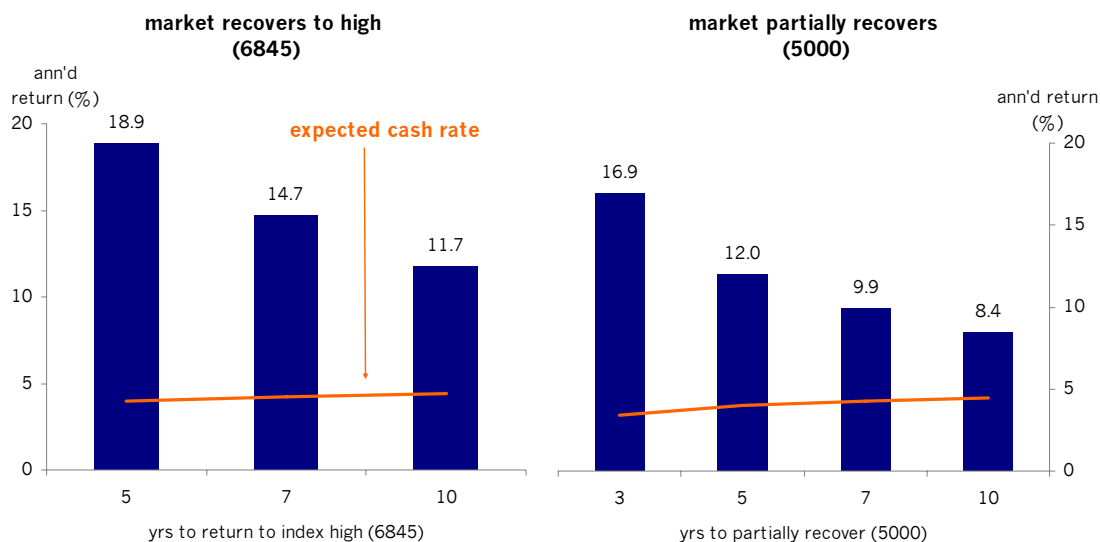
Investment markets are forward looking and have already priced in a good deal of bad news. As economic forecasters, such as the International Monetary Fund, continue to revise down growth forecasts and unemployment rises across the globe, investor confidence in the economic environment will be tested.

The key is whether future economic data turns out to be in line with market estimates. If it is, then while share markets in particular might respond negatively on the day the news is announced, they are unlikely to fall below the levels experienced earlier this year. Of course, if the news is much worse than predicted then the falls could be more dramatic.

If it is the case that we have seen the worst of this downturn then share and credit markets are likely to end 2009 in a better position than they were at the start. Of course, the big question is by how much will they have improved. This is a harder question to answer.

Where to from here for shares, bonds and property?

Historical measures suggest Australian and international share markets are priced below fair value. This provides confidence that over the medium- to long-term the potential prospects are very solid. The following chart highlights the range of returns (including dividends) that could be achieved from the Australian share market if it were to reach 5000 points or if it were to return to its peak. In this analysis, the starting point is the index level at the end of the March quarter.



source: Bloomberg. S&P/ASX 300 Index (excl dividends). Index high at 1 November 2007 (6845). Index today at 31 March 2009 (3569.7). Assumes dividend yield of 5%. Expected cash rate is Australian govt bond yield curve at 31 March 2009.

Many companies, whose share prices have been impacted by fears of an economic slowdown, remain fundamentally sound. In both international and Australian shares, the recent price falls have created abundant opportunities for active managers to display their stock picking skills.

National Australia Bank (NAB) is an example of a quality business that ipac's managers believe has good long-term prospects for investors. The share price on 25 March 2009 was \$20.37 - the same as in 1997, however the business is much larger. In 1997, the profit was \$A2.2 billion with total assets of \$A201 billion. In 2008, NAB's profit was \$A3.9 billion and total assets were \$A656 billion, three times the total assets of 1997. Financial

metrics such as profit are only one aspect of company analysis undertaken by fund managers. Nevertheless, the recent price falls make it cheaper to buy into quality businesses that are growing.

Within bond markets the story is very different between government and corporate bonds. Under the influence of very low cash rates and a strong investor appetite for the relative safety of government bonds, the yields on government bonds have fallen sharply in all countries, particularly in the US. Government bond markets may continue to be supported in the near-term as the flow of economic data remains weak and uncertainty exists around the timing of a wide-spread recovery. However, they appear priced for disappointment based on ipac's medium-term growth and inflation forecasts. Even so, it remains sensible to have some exposure to government bonds for liquidity and diversification reasons.

By contrast, corporate bonds are trading at high yields that can only be justified if you believe there will be very high levels of default and that difficult business conditions persist. While there was some stabilisation in these yields in the March quarter they remain high, consistent with the more bearish scenario. This offers the potential for outsized gains in credit markets over the medium-term. As yields begin to fall, or as bonds mature and pay their final payment, this will lead to a capital gain.

Returns from listed property markets have been severely dented over the past year. In the March quarter, investor confidence weakened on concerns over the shut down of debt markets to finance property investments and the dilution of equity interests as pooled vehicles issued equity at low prices. In addition, confidence was negatively impacted by weakening fundamentals as property demand reduced and the pressure on rental income rose. Lower valuations give the listed property market a reasonably good outlook over the medium to long-term, certainly better than it is for the unlisted property sector, which has only just started the re-evaluation cycle.

There is no doubt investment markets and the economic environment present continuing challenges. However, the repricing of risk offers new opportunities for investors over the medium-term. Investors seeking to capture these returns are likely to need to display continuing patience and some courage.

market returns for the quarter

Australian fixed interest

UBSA Composite Bond Index: 3 month: 0.3%; 12 month: 12.8%

Semi-government bonds were the strongest performing segment of the market for the quarter as the Federal Government announced it would extend a Commonwealth guarantee to state government borrowing. Total returns on corporate and government debt were flat to negative respectively.

international fixed interest

Barclays Capital Global Aggregate (hedged \$A) Index: 3 month: 0.6%; 12 month: 7.0%

Yields on government bonds rose during the quarter (prices fell) as investors feared that low US interest rates and ambitious stimulus plans may trigger longer-term inflation. Corporate bonds were slightly stronger over the quarter with spreads over government bonds narrowing slightly from elevated levels.

Australian property securities

S&P/ASX 300 A-REIT Index: 3 month: -24.1%; 12 month: -58.1%

Capital management remained the key theme during the quarter, as the market continued to focus heavily on debt. Trusts requiring near-term financing or with weak balance sheets were the worst performers during the period.

global listed property securities

UBS Global Investors Index (hedged): 3 month: -24.5%; 12 month: -57.9%

A shortage of property financing has remained the main risk for many real estate owners and property developers. This, along with falling rents and occupancy rates in commercial properties undermined the market's performance for the quarter.

Australian shares

S&P/ASX 300 Accumulation Index: 3 month: -1.8%; 12 month: -29.8%

After continuing to fall in the first two months, the market staged a powerful rally in the final month of the quarter. The rally was prompted in part by announcements from major US banks that they had been profitable in the first two months of the year, and was later supported by a favourable reaction to the US Treasury's Public-Private Investment Program.

international shares

MSCI World ex-Australia Index (\$A hedged): 3 month: -10.3%; 12 month: -38.7%

MSCI World ex-Australia Index (\$A unhedged): 3 month: -11.9%; 12 month: -24.5%

Investors were worried that a deepening recession would severely affect corporate earnings, leading most indices around the world lower. A continuing need by financial institutions for government aid and large consumer spending cuts detracted from returns. Overall, declines were tempered by a strong rally through March following positive comments from the US Federal Reserve about the economy and market support actions from the US Treasury.

international smaller companies

S&P/Citigroup World < \$US 1.5 billion cap Index (\$A unhedged): 3 month: -11.7%; 12 month: -29.2%

After making marginal gains in January, then falling significantly in February, the market recovered some of the lost ground in March. During the rally in March, smaller companies were buoyed by reassuring remarks from the US Federal Reserve on the economy.

global emerging markets

MSCI EM Index in \$A: 3 month: 1.3%; 12 month: -30.5%

Performance was mixed during the quarter, but global emerging markets ended the period slightly higher, outperforming developed markets. The strongest performing region was Asia (+5.2%), helped by Chinese actions to support growth, and the strength of resource stocks, which performed well during the period.

diversified portfolio performance (gross)

Diversified Investment Strategy No. 1

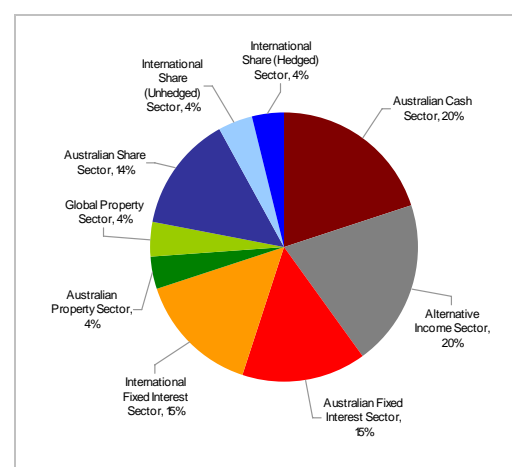
	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy 1	-2.4	-9.7	-12.4	-13.2	-6.7	-1.5	3.6
Benchmark	-2.6	-7.3	-7.4	-8.0	-3.7	0.6	4.6

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 relatively large allocation to fixed interest and cash (70%) was generally positive for performance. These were among the better performing areas of the market for the quarter as investors continued to avoid risk.
- ~ An allocation to growth assets, however, detracted value, and resulted in an overall negative return for portfolio performance. Despite staging a rally later on in the quarter, listed property and share markets ended the period down on the previous quarter. Investors were worried that a deepening recession would severely affect corporate earnings, leading most growth indices around the world lower.



performance this period

- ~ The Australian cash sector underperformed the benchmark. Performance was hurt by an overweight exposure to investment grade corporate credit securities, as well as exposure to debt issued in the Australian market by global financial institutions. In alternative income, the sector outperformed its benchmark. Performance was driven by active duration and yield curve positions in the US. An emphasis on short-term maturities in the UK, Europe and Australia (ie, securities that are closer to cash markets that benefit from falling interest rates) helped performance, as did an exposure to agency mortgages.
- ~ The Australian fixed interest sector underperformed its benchmark for the quarter. An overweight position in both bank credit and residential mortgage backed securities detracted from performance. In international fixed interest, the sector's overweight position in corporate credit, particularly within Financials, was the main factor contributing to underperformance. An overweight exposure to commercial mortgage backed securities also detracted value.
- ~ The Australian shares sector underperformed the benchmark. An underweight exposure to Materials and Energy detracted from performance, in particular, underweight positions in BHP Billiton and Woodside Petroleum. An underweight exposure to Commonwealth Bank of Australia was also negative for relative performance.
- ~ The international shares sector outperformed the benchmark. The main contributors to performance for the quarter were overweight positions in Healthcare, Energy, Consumer Discretionary and Information Technology. Underweight positions in Financials, Utilities and Industrials sectors also helped relative performance.
- ~ The rally of the A-REIT market towards the end of the March quarter was led by small- to mid-sized companies. Given the Australian listed property sector's exposure to many of these outperforming names, this was beneficial for performance. Security selection and regional allocation both contributed to the global listed property sector's outperformance of the benchmark. An underweight exposure to the US and an overweight position in Asia both added value.

Diversified Investment Strategy No. 2

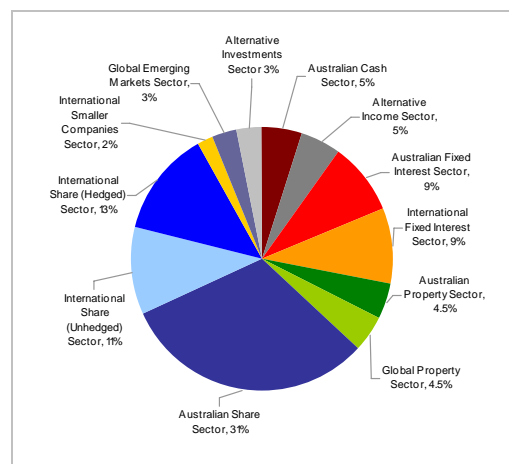
	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy 2	-4.8	-17.5	-22.3	-24.5	-15.6	-6.9	2.7
Benchmark	-5.5	-17.9	-21.1	-23.0	-14.6	-6.2	3.0

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 portfolio delivered negative returns for the quarter, largely due to its sizeable exposure to growth assets (70%). International share markets (-11.9%) and listed property (-24.1%) were particularly affected by negative returns as investors continued to avoid assets with any perceived risk. Within the listed property market investors continued to focus on debt, penalising trusts that required near-term financing or with weak balance sheets.
- ~ Due to its diversified nature, the portfolio has a sizeable allocation to defensive assets (ie, fixed interest and cash). These areas of the market provided some relief to the portfolio's negative performance, offering marginally positive returns for the quarter.



performance this period

- ~ The Australian shares sector underperformed the benchmark. An underweight exposure to Materials and Energy detracted from performance, in particular, underweight positions in BHP Billiton and Woodside Petroleum. An underweight exposure to Commonwealth Bank of Australia was also negative for relative performance.
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- ~ The Australian cash sector underperformed the benchmark. Performance was hurt by an overweight exposure to investment grade corporate credit securities, as well as exposure to debt issued in the Australian market by global financial institutions. In alternative income, the sector outperformed its benchmark. Performance was driven by active duration and yield curve positions in the US. An emphasis on short-term maturities in the UK, Europe and Australia (ie, securities that are closer to cash markets that benefit from falling interest rates) helped performance, as did an exposure to agency mortgages.
- ~ In alternative investments – alpha strategies, performance was helped by improved market sentiment over the quarter. Investors were generally more willing to commit capital to equity and credit markets. During the period, the rate of hedge fund redemptions across the industry appeared to slow, which was also positive for sentiment.

Diversified Investment Strategy No. 3

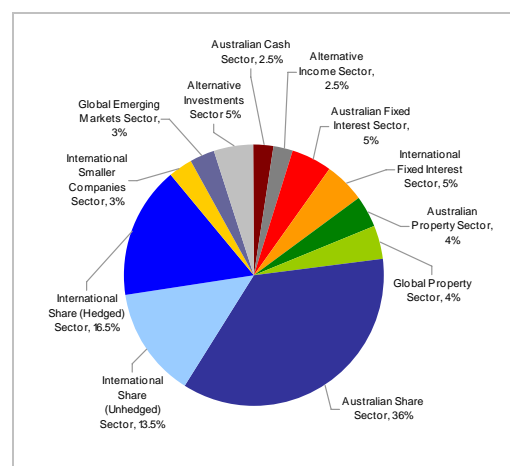
	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy 3	-5.4	-19.7	-25.1	-27.7	-18.2	-8.7	2.1
Benchmark	-6.1	-20.5	-24.5	-26.6	-17.3	-8.0	2.4

Note:

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

return drivers this period

- ~ Difficult market conditions in equity and property markets continued to impact portfolio performance for the quarter. Listed property (-24.1%) and international shares (-11.9%) were the worst affected markets, while Australian shares (-1.8%) performed better, although returns were still negative. The portfolio's 85% allocation to these growth assets contributed to overall negative performance for the quarter.
- ~ The portfolio's 15% allocation to defensive asset classes, such as fixed interest and cash, was a good source of diversification during the quarter. Exposure to these asset classes helped to minimise the downside as returns were generally flat in these areas of the market.



performance this period

- ~ The Australian shares sector underperformed the benchmark. An underweight exposure to Materials and Energy detracted from performance, in particular, underweight positions in BHP Billiton and Woodside Petroleum. An underweight exposure to Commonwealth Bank of Australia was also negative for relative performance.
- ~ The international shares sector outperformed the benchmark. The main contributors to performance for the quarter were overweight positions in Healthcare, Energy, Consumer Discretionary and Information Technology. Underweight positions in Financials, Utilities and Industrials sectors also helped relative performance.
- ~ The Australian fixed interest sector underperformed its benchmark for the quarter. An overweight position in both bank credit and residential mortgage backed securities detracted from performance. In international fixed interest, the sector's overweight position in corporate credit, particularly within Financials, was the main factor contributing to underperformance. An overweight exposure to commercial mortgage backed securities also detracted value.
- ~ The rally of the A-REIT market towards the end of the March quarter was led by small- to mid-sized companies. Given the Australian listed property sector's exposure to many of these outperforming names, this was beneficial for performance. Security selection and regional allocation both contributed to the global listed property sector's outperformance of the benchmark. An underweight exposure to the US and an overweight position in Asia both added value.
- ~ The Australian cash sector underperformed the benchmark. Performance was hurt by an overweight exposure to investment grade corporate credit securities, as well as exposure to debt issued in the Australian market by global financial institutions. In alternative income, the sector outperformed its benchmark. Performance was driven by active duration and yield curve positions in the US. An emphasis on short-term maturities in the UK, Europe and Australia (ie, securities that are closer to cash markets that benefit from falling interest rates) helped performance, as did an exposure to agency mortgages.
- ~ In alternative investments – alpha strategies, performance was helped by improved market sentiment over the quarter. Investors were generally more willing to commit capital to equity and credit markets. During the period, the rate of hedge fund redemptions across the industry appeared to slow, which was also positive for sentiment.

Diversified Investment Strategy No. 4

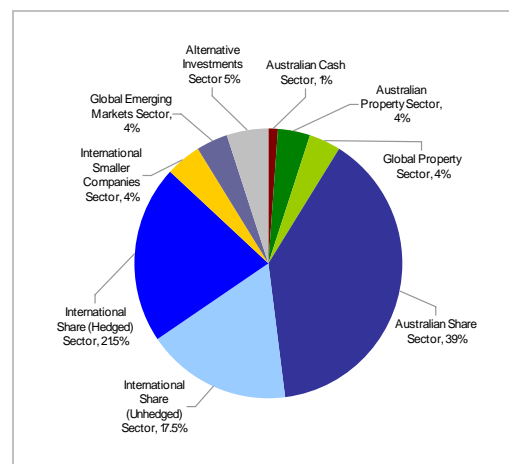
	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy 4	-7.1	-23.8	-29.9	-32.8	-22.1	-11.4	1.0
Benchmark	-7.4	-24.3	-29.1	-31.4	-21.0	-10.6	1.4

Note:

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

return drivers this period

- ~ The portfolio's negative performance for the quarter was largely driven by its large exposure (94%) to growth assets. Listed property and most share markets continued to suffer large falls for the quarter as investors worried about the effects a protracted global slowdown would have on corporate earnings.
- ~ The listed property market (down 24.1%) and international share markets (down 11.9%) were particularly affected by negative returns, although these markets did stage a rally later on in the period, providing some positive relief for investors. Australian shares performed relatively better, but were still down on the previous quarter (-1.8%).



performance this period

- ~ The Australian shares sector underperformed the benchmark. An underweight exposure to Materials and Energy detracted from performance, in particular, underweight positions in BHP Billiton and Woodside Petroleum. An underweight exposure to Commonwealth Bank of Australia was also negative for relative performance.
- ~ The international shares sector outperformed the benchmark. The main contributors to performance for the quarter were overweight positions in Healthcare, Energy, Consumer Discretionary and Information Technology. Underweight positions in Financials, Utilities and Industrials sectors also helped relative performance.
- ~ The rally of the A-REIT market towards the end of the March quarter was led by small- to mid-sized companies. Given the Australian listed property sector's exposure to many of these outperforming names, this was beneficial for performance. Security selection and regional allocation both contributed to the global listed property sector's outperformance of the benchmark. An underweight exposure to the US and an overweight position in Asia both added value.
- ~ In alternative investments – alpha strategies, performance was helped by improved market sentiment over the quarter. Investors were generally more willing to commit capital to equity and credit markets. During the period, the rate of hedge fund redemptions across the industry appeared to slow, which was also positive for sentiment.
- ~ Underperformance of the global emerging market sector was driven by stock selection, rather than country allocation. An example of stocks that underperformed their local market was those in India, with negative contributions also from Mexico and Brazil.
- ~ In international smaller companies, the sector benefited from underweight positions in underperforming Financials and Industrials. Overweight positions in Healthcare and Consumer Staples also added to outperformance of the benchmark.

Diversified Investment Strategy No. 5

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy 5	-5.5	-19.2	-23.3	-24.8	-15.8	-6.4	n/a
Benchmark	-6.2	-17.7	-19.7	-21.0	-13.0	-4.8	n/a

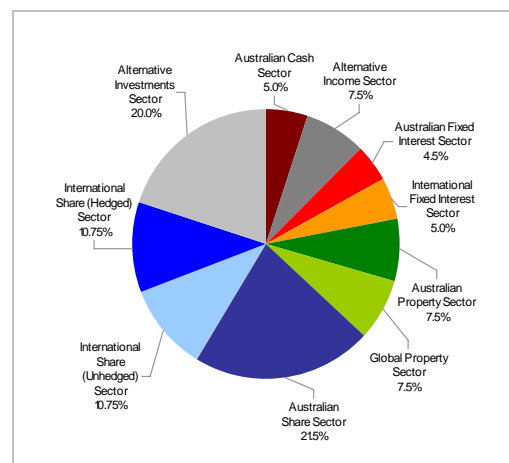
Notes:

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

- ~ For the quarter, the portfolio's absolute returns were negative and broadly in line with that of a balanced fund with a more traditional construction.
- ~ An exposure to growth assets hurt performance, in particular the portfolio's exposure to listed property which suffered large falls (down 24.1%). Within the listed property market investors continued to focus on debt, penalising trusts that required near-term financing or with weak balance sheets.
- ~ The portfolio's exposure to alternative investments – alpha strategies proved positive for relative performance for the quarter, as this segment of the market continued to outperform shares and provide diversification benefits. The portfolio also benefited from its allocation to fixed interest and cash, which performed relatively well.



performance this period

- ~ The Australian shares sector underperformed the benchmark. An underweight exposure to Materials and Energy detracted from performance. Stock selection also had a negative impact on relative performance, particularly overweight positions in Brambles, Suncorp-Metway, and Telstra.
- ~ The international shares sector underperformed the benchmark for the quarter. The managers within the sector have a focus on value style investing. During the quarter, value stocks significantly underperformed the broader market and growth stocks.
- ~ In alternative investments – alpha strategies, performance was helped by improved market sentiment over the quarter. Investors were generally more willing to commit capital to equity and credit markets. During the period, the rate of hedge fund redemptions across the industry appeared to slow, which was also positive for sentiment.
- ~ The rally of the A-REIT market towards the end of the March quarter was led by small- to mid-sized companies. Given the Australian listed property sector's exposure to many of these outperforming names, this was beneficial for performance. Security selection and regional allocation both contributed to the global listed property sector's outperformance of the benchmark. An underweight exposure to the US and an overweight position in Asia both added value.
- ~ 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. In international fixed interest, the main detractor from performance over the quarter was holdings in upper tier non-agency mortgage backed securities where demand remained weak. In addition, senior debt holdings of financial institutions and subordinated debt detracted from returns.
- ~ The outperformance of alternative income versus the benchmark was largely driven by the sector's active duration and yield curve positions in the US. An emphasis on short-term maturities in the UK, Europe and Australia (ie, securities that are closer to cash markets that benefit from falling interest rates) helped performance, as did an exposure to agency mortgages.

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	0.3	1.5	1.1	3.5	4.4	5.0	5.4
Sector - Strategy 5	0.3	1.5	1.1	3.5	4.4	5.0	n/a
AllianceBernstein	0.3	1.5	1.1	3.4	4.4	5.0	5.4
Benchmark	1.0	2.7	4.7	6.7	6.8	6.6	6.3

Note:

Benchmark = UBSA Bank Bill Index.

market commentary

UBSA 90 Day Bank Bill Index: 3 month: 1.0%; 12 month: 6.7%

During the first quarter of 2009 the Reserve Bank of Australia (RBA) reduced rates on one occasion. Rates were cut in February by 1% to 3.25%. This was the fifth cut since September 2008 when the easing cycle began. The official rate of 3.25% was last seen in 1964.

In March the RBA left rates on hold noting that “demand has not weakened as much as in other countries and, on the basis of currently available information, the Australian economy has not experienced the sort of large contraction seen elsewhere”.

The RBA has not needed to be as aggressive in its rate cuts as other central banks. This is as a result of a preference for floating rate debt over fixed rate debt among mortgage borrowers, which implies that the interest rate cuts are being passed through to homeowners more quickly. The fall in the official cash rate has seen mortgage rates fall in Australia to 5.40% from 8.95% since August – a decline of 3.55%. In contrast, the US has seen mortgage rates fall over the same period by only 1.55%, despite the Federal Reserve reducing rates by 5.00%.

Inflation data released during the period showed a fall of 0.3% quarter-on-quarter for the final three months of 2008. The annual rate to December of 3.7% remained above target range – however inflation is expected to fall significantly over the next 18 months.

sector commentary

The Australian cash sector underperformed the index by 0.7% for the quarter and by 3.2% for the 12 months to 31 March 2009.

Underperformance was caused by the sector’s overweight exposure to investment grade corporate credit securities. During the first three months of the year, the market continued to be dominated by risk aversion. Investors still preferred the relative safety of government bonds over corporate bonds which caused credit spreads to widen further. Liquidity also remained poor during the period, making it difficult for distressed sellers to sell securities.

Performance was also hurt by the sector's exposure to debt issued in the Australian market by global financial institutions (known as kangaroo bonds). Continuing problems among US and European financial institutions, as well as a preference for domestic names, meant that the performance of these securities was impacted. Given the concentrated nature of the Australian banking sector, diversification into global names is expected to be beneficial for the sector's longer-term performance.

Alternative Income

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	2.3	-9.2	-14.8	-12.6	-3.4	-0.2	n/a
Sector - Strategy 5	2.3	-9.2	-14.8	-12.6	-3.4	-0.2	n/a
PIMCO	2.3	-9.2	-14.8	-12.6	-3.4	-0.2	n/a
Benchmark	1.0	2.7	4.7	6.7	6.8	6.6	6.3

Notes:

Benchmark = UBSA Bank Bill Index.

sector commentary

The sector outperformed the benchmark by 1.3% for the quarter, but underperformed by 19.3% for the 12 months to 31 March 2009.

The positive relative performance for the quarter was largely driven by the sector's active duration and yield curve positions in the US. These benefited performance as the yield curve steepened on concerns over issuance. An emphasis on short-term maturities in the UK, Europe and Australia (ie, securities that are closer to cash markets that benefit from falling interest rates) helped performance. An exposure to agency mortgages was also beneficial for performance as mortgage spreads contracted.

The exposure to bank capital detracted from returns during the period. Financials underperformed all investment grade sectors, and the yield on the bank capital index widened a further 2.6% above government bonds. Bank capital securities that are lower down the capital structure (ie, Tier 1 and Upper Tier 2) fared significantly worse than securities with higher seniority. The poor performance of Tier 1 and Upper Tier 2 securities came following the announcement from Royal Bank of Scotland and Lloyds TSB Group that they would tender for their Tier 1 and Upper Tier 2 debt at less than their par value. The sector's exposure to these securities offers the potential for outsized gains over the medium-term. As yields begin to fall, or as bonds mature and pay their final payment, this will lead to a capital gain.

Australian Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	0.1	6.7	11.9	12.5	7.6	6.3	6.3
Sector - Strategy 5	0.4	6.8	12.4	12.8	8.5	6.9	n/a
BGI Index	0.4	6.8	12.4	12.8	8.5	6.9	n/a
Credit Suisse	0.0	7.0	12.1	12.8	7.7	6.3	6.4
Benchmark	0.3	6.6	12.3	12.8	8.4	6.8	6.4

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: 0.3%; 12 month: 12.8%

The UBSA Composite Bond Index rose slightly in the March quarter, up 0.3%, and ended the year to 31 March 2009 higher by 12.8%. Semi-government bonds were the strongest performing segment of the market in the first three months of 2009, returning 0.7%. This followed an announcement by the Federal Government that it would extend the Commonwealth guarantee for state government borrowing. Existing debt benefited as it was seen to provide a de-facto guarantee on existing debt. Returns on government and corporate debt fell 0.7% and 0.1% respectively.

Yields on 10 year government bonds rose from 3.992% at the end of 2008, ending the quarter at 4.423%, while yields on 3 year government bonds climbed from 3.071% to 3.395%. The rise in yields on government bonds (ie, fall in prices) occurred as the Australian government increased its supply of bonds to fund economic stimulus policies, aimed at avoiding the country's first recession in 17 years. More positive domestic economic data released during February suggested that the aggressive rate cuts and fiscal stimulus policies were beginning to work through the economy and that, consequently, fewer interest rate cuts would be required going forward.

The spread between corporate bonds and government debt continued to widen over the quarter, reflecting an ongoing lack of liquidity in credit markets. The spread on 5 year domestic securities widened by 0.58% for AAA rated debt, and by 0.96% for BBB rated debt.

Sector commentary

The sector underperformed the benchmark by 0.2% for the quarter, and by 0.3% for the year to 31 March 2009.

The sector's positions in investment grade corporate credit detracted value during the quarter. An overweight position in both bank credit and residential mortgage backed securities detracted from performance as spreads widened across most credit securities in the Australian market. Offshore banks in particular were the poorest performers with the price of some securities reaching all-time lows.

The underweight position in state government debt was reduced during the quarter. This had a negative impact on performance as these securities rallied following the announcement that the Treasury would extend the government guarantee to state government borrowing.

During the quarter, relative value was a positive contributor to performance. The manager uses relative value trades to generate return, by taking advantage of irregular yield curve shapes or the richness or cheapness of individual bonds.

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	0.3	2.3	2.1	1.1	4.1	4.8	5.5
Sector - Strategy 5	0.3	4.0	3.2	1.8	5.1	5.4	n/a
BlackRock	0.2	1.1	1.5	1.0	3.5	4.4	5.2
PIMCO	0.3	4.5	3.6	2.2	5.3	5.5	6.0
Benchmark	0.6	5.5	7.6	7.0	7.5	7.1	6.6

Note:

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

market commentary

Barclays Capital Global Aggregate (hedged \$A) Index: 3 month: 0.6%; 12 month: 7.0%

The Barclays Capital Global Aggregate Index rose 0.6% for the March quarter, and 7.0% for the year to 31 March 2009.

Corporate bonds were slightly stronger over the quarter with spreads over government bonds narrowing slightly from elevated levels.

Yields on government bonds rose during the quarter (prices fell) as investors feared that low US interest rates and ambitious stimulus plans may trigger longer-term inflation. In addition, large amounts of issuance caused yields to rise during the period. The yield on 10 year US government bonds rose from 2.212% at the end of 2008, ending the quarter at 2.663%, while yields on 2 year US government bonds climbed from 0.764% to 0.796%. In January, the gap between the 10 year and the 2 year yield was the largest it had been in 12 months.

sector commentary

The sector underperformed the benchmark by 0.3% for the quarter, and by 5.9% for the 12 months to 31 March 2009.

The main detractor from performance over the quarter was the sector's overweight position in Financial corporate credit. Financials underperformed all investment grade sectors, and the yield on the bank capital index widened a further 2.6% above government bonds. Bank capital securities that are lower down the capital structure (ie, Tier 1 and Upper Tier 2) fared significantly worse than securities with higher seniority. The poor performance of Tier 1 and Upper Tier 2 securities came following the announcement from Royal Bank of Scotland and Lloyds TSB Group that they would tender for their Tier 1 and Upper Tier 2 debt at less than their par value. The sector's exposure to these securities offers the potential for outsized gains over the medium-term. As yields begin to fall, or as bonds mature and pay their final payment, this will lead to a capital gain.

An overweight exposure to commercial mortgage backed securities (CMBS) also detracted value, where spreads over government bonds widened by a further 0.39%. In addition, senior debt holdings of financial institutions and subordinated debt detracted from returns, as did swaps used for hedging purposes as long-term swap rates decreased.

During the quarter, there was an emphasis on short- to intermediate-dated securities in Europe, and the UK. This proved positive for performance as the yield curves steepened.

sector commentary (Strategy 5)

The sector underperformed the benchmark by 0.3% for the quarter, and by 5.2% for the 12 months to 31 March 2009.

The main detractor from performance over the quarter was holdings in upper tier non-agency mortgage backed securities where demand remained weak. In addition, senior debt holdings of financial institutions and subordinated debt detracted from returns, as did swaps used for hedging purposes as long-term swap rates decreased.

During the quarter, there was an emphasis on short- to intermediate-dated securities in Europe, Australia and the UK. This was in anticipation of an extended period of low interest rates. The sector maintained an overweight duration in the US, given the manager's view that rates are likely to stay low in the US. Going forward, the manager has indicated that the investment strategy will focus less on interest rate strategies and more on high quality assets that offer attractive yield premiums.

Australian Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-22.3	-49.9	-53.7	-60.9	-47.0	-28.6	-12.2
Sector - Strategy 5	-22.4	-49.4	-51.7	-58.5	-44.6	-26.8	n/a
BGI Index	-22.6	-46.2	-47.0	-55.1	-41.4	-24.0	n/a
A-REIT Active Multi-Manager Trust	-22.3	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark	-24.1	-49.3	-50.2	-58.1	-43.6	-25.8	-10.3

Notes:

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

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

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

market commentary

S&P/ASX 300 A-REIT Index: 3 month: -24.1%; 12 month: -58.1%

The Australian listed property market fell sharply in the first quarter of 2009, down 24.1%. In comparison, the broader Australian share market fell just 1.8%. For the 12 months to 31 March 2009 the Australian listed property market fell 58.1%.

During the first quarter of 2009, the market continued to penalise trusts with high gearing. Trusts with moderate gearing that ran the risk of refinancing or potential capital raising, also suffered. In early March, the index hit an all time low, but thereafter staged a recovery, led by small to mid-sized companies that had been sold off in 2008.

Over the quarter as a whole, the more defensive names performed relatively better. Trusts requiring near-term financing or with weak balance sheets were the worst performers. At present, approximately 40% of the S&P/ASX 300 A-REIT Index will require refinancing within the next 2 years.

Top performers over the quarter were FKP Limited (up 98.0%), Becton Property Group (up 66.7%), Abacus Property Group (up 30.3%) and Macquarie Leisure (up 25.6%). Macquarie Leisure benefited from announced asset sales following dissolution of one of its joint ventures with US partner, Countrywide. This provided additional liquidity for impending debt refinancing.

During the quarter, a number of companies reported poor earnings as retail and office properties continued to show distress amid difficult economic conditions. The worst performing trusts over the quarter were Reckson New York Property Trust (-64.0%), Centro Retail Group (-58.2%), Goodman Group (-56.1%) and Tishman Speyer Office Fund (-56.0%). Centro's performance suffered following the company's reported loss of A\$2.4 billion as a result of falling property values. Goodman Group posted disappointing returns as concerns increased over capital adequacy and the potential for operational weakness associated with the Industrial sector.

sector commentary

The sector outperformed the benchmark by 1.8% for the quarter, and underperformed by 2.8% for the 12 months to 31 March 2009.

The strong rally of the A-REIT market towards the end of the March quarter, which was led by small to mid-sized companies, was beneficial for performance, given the sector's exposure to many of these outperforming names.

During the quarter, the sector's underweight position in Goodman Group contributed positively to performance. Goodman Group's share price fell 56.1% for the quarter, as investors remained cautious about the company's balance sheet, earnings outlook and refinancing ability. The sector's overweight position in Macquarie CountryWide (up 14.3%) and Macquarie Infrastructure Group also contributed positively to performance. These trusts had seen significant falls in their respective share prices in recent months due to concerns about leverage and exposure to offshore assets, despite the quality of the underlying holdings. An underweight holding in ING Office Trust also contributed positively. The trust's share price fell 47.5% for the quarter due to concerns about leverage.

An overweight position in GPT Group was negative for performance. GPT Group performed poorly following a disappointing results announcement. In addition, underweight exposures to some of the better performing trusts such as Abacus Property Group (up 30.3%), Macquarie Leisure (up 25.6%) and CFS Retail (-12.8%) also detracted from relative performance.

sector commentary (Strategy 5)

The sector outperformed the benchmark by 1.7% for the quarter, and underperformed by 0.4% for the 12 months to 31 March 2009.

Half of the sector is invested in BGI Index. This manager aims to replicate the index return. The other half of the sector is actively managed by SG Hiscock and Legg Mason.

During the quarter, the sector benefited from its exposure to small- and mid-sized companies that led the rebound towards the end of the period.

Underweight positions in Goodman Group and ING Office Trust contributed positively to performance, while overweight positions in Macquarie CountryWide and Macquarie Infrastructure Group also contributed positively to performance.

An overweight position in GPT Group was negative for performance. In addition, underweight exposures to some of the better performing trusts such as Abacus Property Group, Macquarie Leisure and CFS Retail also detracted from relative performance.

Global Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-22.5	-51.7	-53.8	-58.1	-42.6	-24.8	n/a
Sector - Strategy 5	-22.3	-51.3	-53.4	-57.8	-42.4	-24.8	n/a
CBRE	-19.4	-47.3	-49.9	-54.8	-39.8	-22.5	n/a
LaSalle	-26.5	-56.5	-58.1	-61.9	-45.8	-27.7	n/a
Benchmark	-24.5	-53.5	-53.9	-57.9	-42.6	-25.2	n/a

Notes:

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

A global property sector was introduced in January 2006. CBRE & LaSalle performance reporting commenced in February 2006.

market commentary

UBS Global Investors Index (hedged): 3 month: -24.5%; 12 month: -57.9%

The global real estate securities market fell sharply in the first quarter of 2009. Although transactional activity has fallen dramatically, there has been sufficient convergence between buyer and seller expectations to indicate lower commercial property valuations. Rents and occupancy rates are declining together with rising unemployment, falling corporate earnings and weakening business and investor confidence. The difficulties in ensuring availability of property financing have led many real estate owners and property developers to raise equity to deleverage and provide liquidity. This has resulted in earnings dilution. As earnings estimates have declined, dividend reductions have become more common, as has a trend to partially pay dividends in stock.

Downward revisions in valuations and earnings expectations were greatest in January and February. This was reflected in weaker prices of real estate investment trusts (REITs). Investor optimism in March led to a partial rebound in the prices of REITs. The rebound happened on the back of expectations that US policy proposals would relieve some pressure on banks and renew the flow of credit.

The North American market was the worst performing market for the quarter, down 38.1%. The UK market followed with a fall of 33.4%, underperforming Europe which has generally lower leverage and an economy less dependent on the housing market. Concerns about the possible issuance of heavily discounted rights weighed on the UK market, although recapitalisation will improve balance sheets.

The Asian market performed relatively well, with the Hong Kong market posting the strongest gain, up 3.7%. This was partly attributable to the solid performance of Link REIT (up 19.7%). This REIT has a portfolio of retail facilities that are focussed on the sale of necessities. The Japanese market's fall of 7.3% reflected the sharp contraction in the Japanese economy and the rise in Tokyo office vacancies, as well as the bankruptcy of Japan General Real Estate. These influences, however, were tempered by improvements in refinancing and a move by the Development Bank of Japan to increase lending to REITs.

sector commentary

The sector outperformed the index by 2.0% for the quarter but underperformed by 0.2% for the 12 months to 31 March 2009.

Security selection and regional allocation both contributed to outperformance of the benchmark for the quarter. An underweight exposure to the US benefited performance given the US was the worst performing market during the period. Stock selection also contributed positively given the relative outperformance of many holdings. Digital Realty outperformed the broader market with its portfolio of technology-related real estate. Dundee REIT also added value as its office and industrial properties in Western Canada maintained high occupancy levels and rental growth, providing support to the share price.

The sector's overweight exposure to Asia added value, particularly the Singapore and Hong Kong holdings. Yanlord Land Group, with its large portfolio of Chinese mainland developments, was one of the main positive contributors in March despite reporting falls in revenue and profit. The holding in Japan Logistics contributed positively to the overall return as the REIT rallied strongly towards the end of the quarter

A number of positions detracted from relative performance during the quarter. Vornado Realty, a US REIT with prime office and retail assets, took advantage of changes permitted by the Internal Revenue Service to pay up to 60% of its dividend in stock to preserve cash and increase the size of its balance sheet. The sector's overweight exposure to this REIT detracted value. The holding in Macerich continued to have a negative impact on performance as operating fundamentals and the outlook deteriorated for its regional shopping malls in the west of the US. Westfield's equity placement in February further strengthened its balance sheet and provided capital for potential acquisitions. The sector's underweight to Westfield detracted from relative performance.

Australian Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-3.1	-19.1	-26.1	-29.0	-19.0	-7.3	5.7
Sector - Strategy 5	-5.1	-18.5	-22.8	-26.9	-18.0	-6.8	n/a
BGI	-2.0	-20.8	-30.6	-32.0	-20.2	-8.0	5.6
Integrity	0.2	-14.8	-17.7	-20.2	n/a	n/a	n/a
Schroders	-2.4	-16.3	-21.4	-26.4	-17.4	-5.6	7.4
Maple-Brown Abbott	-4.7	-17.1	-20.5	-25.2	-16.5	-5.2	6.0
Investors Mutual	-3.8	-15.8	-17.0	-24.5	-15.6	-5.1	4.9
Wallara	-2.1	-17.1	-26.0	-26.6	-17.5	-7.4	n/a
Bernstein Value	-2.5	-17.4	-23.2	-29.4	-19.9	-8.6	n/a
MIR	-9.6	-26.3	-34.4	-32.7	-23.0	-10.5	n/a
Benchmark	-1.8	-20.0	-28.6	-29.8	-19.3	-7.4	5.4

Notes:

Benchmark = S&P/ASX 300 Accumulation Index.

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

During March 2009 Challenger was removed from the line up of Australian share managers. Assets previously held by Challenger have been reallocated among incumbent Australian shares managers.

market commentary

S&P/ASX 300 Accumulation Index: 3 month: -1.8%; 12 month: -29.8%

Although the Australian share market fell 15.1% between 31 December and 9 March 2009, it made up a lot of its lost ground in the final three weeks of the quarter. The market ended the quarter down 1.8%, and ended the 12 month period down 29.8%.

The market falls at the beginning of March came after data showed that US economic growth in the fourth quarter of 2008 was even weaker than originally thought. Markets were also impacted by evidence that some companies were aggressively cutting dividends to preserve capital. Investors regarded the news as negative for shares over the short-term. Confidence in the market was also hit by a fresh US\$30 billion bail-out of US insurance giant AIG as part of a revamped rescue package. AIG had already received US\$150 billion in financial support – the biggest bail-out by far of any US company. The Federal Reserve and the Treasury said that AIG posed a 'systemic risk' to the global financial system.

From 10 March, the Australian share market staged a powerful rally, climbing 13.6% by the end of the quarter. This was prompted in part by announcements from major US banks that they had been profitable in the first two months of the year. The rally continued for most of the month aided by a favourable reception to the US Treasury's Public-Private Investment Program to help rid banks of 'toxic' assets.

The majority of the quarter saw a continued flight to quality as investors sought the safety of those companies that provide a relatively defensive exposure through more predictable earnings streams. The last weeks of the quarter, however, saw a dramatic reversal in this sentiment with a 'flight to risk'. Stocks that had suffered over recent periods were back in favour, with Financials and Cyclical doing well. Over the quarter as a whole, the strongest performing sectors were Information Technology, up 12.7%, followed by Materials and Energy, which were up 4.7% and 4.5% respectively. The weakest areas of the market were Industrials (-20.4%), followed by Telecommunications (-14.7%) and Healthcare (-7.6%).

The domestic reporting season was characterised by strong results from companies such as Commonwealth Bank of Australia, Computershare, JB Hi-Fi, Toll Holdings and United Group. Brambles, Goodman Fielder, News Corporation and QBE Insurance Group announced worse-than-expected results. A number of companies announced dividend cuts to preserve cash in the challenging economic conditions.

Most companies judged to have major financial risk continued to be sold down heavily. One example was Asciano which fell 39.7% for the quarter. Asciano owns and operates a range of infrastructure assets including ports and rail across Australia. Other companies benefited from takeover rumours. An alternative to the Chinalco deal and a re-emergence of takeover rumours saw Rio Tinto soar (up 48.9%), and Crown rose 6.4% after escaping an ill-timed US acquisition.

sector commentary

The Australian shares sector underperformed the benchmark by 1.3% for the quarter, but outperformed by 0.8% for the 12 month period ending 31 March 2009.

An underweight exposure to Materials and Energy detracted from performance for the quarter, although this theme was positive for performance through 2008. During the quarter, underweight exposures to BHP Billiton, which gained 4.8%, and Woodside Petroleum, up 3.8%, undermined the relative performance of the Australian shares sector. An underweight exposure to Commonwealth Bank of Australia, which gained 20.2%, was also negative for relative performance, as were overweight positions in Brambles and Suncorp-Metway, which fell 35.3% and 23.9% respectively.

An overweight exposure to Rio Tinto, up 48.9% for the quarter, was positive for relative performance. An underweight exposure to Australian real estate investment trusts, which underperformed the broader share market by 22.3%, also helped relative performance in a declining market.

The first three months of 2009 saw a large number of capital raisings take place. A significant proportion of the largest 50 companies in Australia have raised equity, indicating that the Australian market is reasonably well advanced in the process of recapitalisation. As many of these capital raisings have been undertaken at a discount, this has enabled ipac's managers to gradually gain a larger exposure to sound businesses on quite favourable terms. This sets the sector up for good returns over the long-term.

sector commentary (Strategy 5)

The Australian shares sector underperformed the benchmark by 3.3% for the quarter, but outperformed by 2.9% for the 12 month period ending 31 March 2009.

Underperformance of the benchmark for the quarter was largely driven by underweight positions in Materials and Energy, although this theme was positive for performance through 2008.

Stock selection also had a negative impact on relative performance, particularly overweight positions in Brambles, Suncorp-Metway, and Telstra, which fell 35.3%, 23.9% and 16.2% respectively.

An overweight exposure to Rio Tinto, up 48.9% for the quarter, was positive for relative performance. An underweight exposure to Australian real estate investment trusts, which underperformed the broader share market by 22.3%, also helped relative performance in a declining market.

International Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector - Unhedged	-11.1	-22.0	-22.2	-26.9	-20.7	-14.2	-2.2
Sector - Strategy 5 Unhedged	-12.9	-25.3	-25.5	n/a	n/a	n/a	n/a
Enhanced Investment Technologies	-11.0	-20.0	n/a	n/a	n/a	n/a	n/a
Alliance	-8.8	-24.7	-30.4	-34.2	-25.3	-18.4	n/a
Arrowstreet	-10.4	-17.1	n/a	n/a	n/a	n/a	n/a
GMO	-10.0	-17.9	-16.0	-19.2	-15.0	-10.5	n/a
Bernstein	-13.0	-27.8	-31.4	-37.1	-28.2	-18.6	-3.5
LSV	-13.4	-23.5	-19.8	-27.0	-23.0	-14.3	n/a
International Shares Index	-11.7	-21.6	n/a	n/a	n/a	n/a	n/a
Benchmark	-11.9	-21.9	-19.1	-24.5	-19.7	-13.2	-1.8
Sector - Hedged	-8.8	-30.7	-41.0	-40.7	-26.0	-15.3	-2.9
Sector - Strategy 5 Hedged	-10.5	-34.0	-43.7	-44.7	-30.1	-17.3	n/a
Enhanced Investment Technologies	-8.7	-28.9	n/a	n/a	n/a	n/a	n/a
Alliance	-6.4	-33.1	-47.1	-46.6	-30.3	-19.4	n/a
Arrowstreet	-8.1	-26.3	n/a	n/a	n/a	n/a	n/a
GMO	-7.7	-27.0	-36.2	-34.4	-20.8	-11.6	n/a
Bernstein	-10.6	-36.5	-48.7	-49.6	-33.4	-19.9	-4.3
LSV	-11.0	-32.1	-39.0	-40.7	-28.0	-15.1	n/a
International Shares Index	-9.4	-30.1	n/a	n/a	n/a	n/a	n/a
Benchmark	-10.3	-30.8	-38.6	-38.7	-24.9	-13.9	-2.1

Notes:

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

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

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

market commentary

MSCI World ex-Australia Index (\$A hedged): 3 month: -10.3%; 12 month: -38.7%

MSCI World ex-Australia Index (\$A unhedged): 3 month: -11.9%; 12 month: -24.5%

International equity markets continued to fall in January and February but partially recovered in March. In Australian dollar terms, the hedged index was down 10.3% for the quarter and 38.7% for the year, while the unhedged return was -11.9% for the quarter and -24.5% for the 12 months to 31 March 2009.

Investors continued to worry that a deepening recession would severely affect corporate earnings, leading most indices around the world lower. The global economy continued to weaken and growth forecasts continued to be revised down.

European equity markets fell the most during the quarter (-12.2%) and were followed closely by North American equity markets (-11.6%). In Europe, governments continued to address the capital adequacy of their banks as share prices of household names like Royal Bank of Scotland and Lloyds TSB suffered like their US counterparts. In the US, gloomy expectations on corporate earnings and the economy contributed to the region's poor returns. The Japanese equities market fell 10% for the quarter as exporters were hit by a surging Japanese Yen. The Nordic area markets (-7.8%) fell the least - helped by the region's exposure to oil stocks which performed relatively well for the quarter.

During the quarter Information Technology (+0.2%) was the only sector that managed to eke out a gain, while all other sectors fell. Materials (-2.7%), Consumer Discretionary (-6.0%) and Energy (-8.4%) fell the least. The weakest areas of the market were Financials (-23.6%), Industrials (-16.8%) and Utilities (-16.5%). Returns were hurt in Financials as JP Morgan and HSBC cut their respective dividends substantially. According to rating agency Standard & Poor's, investors in the US are facing the worst year for dividend cuts since 1938 as a growing number of blue-chip companies across the globe prefer to preserve cash.

In the final three weeks of the quarter, the market sustained a significant rally. This rally was triggered as Citigroup and Bank of America announced improvements in profitability for the first two months of the year. Signs of life in the US Financial sector saw buyers return to share markets. Reassuring remarks from the US Federal Reserve on the economy, along with a commitment to purchase Treasury bonds and mortgage-backed securities, helped - as did the possible relaxation of mark-to-market accounting rules for specific parts of banks' balance sheets.

Large cap stocks marginally underperformed small cap stocks for the quarter, and growth stocks significantly outperformed value.

sector commentary

The international shares sector (unhedged) outperformed the benchmark by 0.8% for the quarter, but underperformed by 2.4% for the 12 month period ending 31 March 2009.

The main contributors to performance for the quarter were overweight positions in Healthcare, Energy, Consumer Discretionary and Information Technology. All these industry sectors outperformed the broader market during the period. Underweight positions in Financials, Utilities and Industrials sectors also helped relative performance.

At a stock level, positions in pharmaceutical companies such as NOVA Chemicals (up 20.8%) and pharmaceutical company Schering-Plough Corp (up 38.3%) contributed to outperformance of the benchmark for the quarter. In addition, Israeli generic drug manufacturer, Teva Pharmaceutical, saw the value of its share price rise 5.8% due to better-than-expected fourth quarter earnings and a strong 2009 forecast. A position in Japanese automaker Honda also helped performance. Honda's share price rose 21.5% for the quarter following the company's announcement that it was making progress in lowering inventories. It also reported relatively positive results, supported by resilient auto and motorcycle sales in emerging market countries.

Within Financials, exposure to Deutsche Bank (+11.1%) and Credit Suisse (+7.9%) was helpful to performance, although positions in Bank of America (-51.6%), Royal Bank of Scotland (-50.4%) and Lloyds TSB Group (-43.9%) detracted.

During the period, all market oriented and growth managers added significant value to the sector's relative performance. Bernstein Value and LSV detracted from returns given the managers' value style. For the three months to 31 March 2009, value stocks significantly underperformed the broader market and growth stocks. The MSCI World ex-Australia Value Index fell 15.9%, while the MSCI World ex-Australia Growth Index fell 7.4%. Although returns were disappointing, the two value managers in the international shares sector outperformed the Value Index for the period.

sector commentary (Strategy 5)

The international shares sector (unhedged) underperformed the benchmark by 1.0% for the quarter.

The managers within the sector have a focus on value style investing. During the quarter, value stocks significantly underperformed the broader market and growth stocks. The MSCI World ex-Australia Value Index fell 15.9%, while the MSCI World ex-Australia Growth Index fell 7.4%. Both active managers, Bernstein Value and LSV, outperformed the MSCI World ex-Australia Value Index for the period.

During the quarter, security selection was the greatest detractor from returns, particularly in Materials, Utilities and Industrials. Also, specific holdings in Financials such as Bank of America (-51.6%), Royal Bank of Scotland (-50.4%) and Lloyds TSB Group (-43.9%) also detracted from returns.

International Smaller Companies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-11.1	-22.1	-22.3	-29.0	-27.2	n/a	n/a
Arrowstreet	-11.1	-22.0	-22.3	-29.0	-27.2	n/a	n/a
Benchmark	-11.7	-25.7	-23.9	-29.2	-25.3	-18.3	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: -11.7%; 12 month: -29.2%

International smaller companies continued to fall in January and February but partially recovered in March. Although smaller companies marginally outperformed larger companies for the quarter, for the 12 month period to 31 March 2009, large-sized companies have been relatively stronger.

As with larger companies, smaller companies were buoyed by reassuring remarks from the US Federal Reserve on the economy, along with a commitment to purchase Treasury bonds and mortgage-backed securities.

Over the quarter, growth stocks outperformed value, and within sectors in the US, Energy was the strongest area of the market (up more than 10%), supported by strong demand from China. Autos and Financials underperformed the broader market, and fell by 28% each.

The strongest performing region within smaller companies was the Nordic area which was helped by its exposure to oil stocks. This region fell 0.3% for the quarter. Europe also outperformed the broader index, falling 4.1%, while North America (-12.8%) and the Far East (-7.7%) were the weakest regions.

sector commentary

The international smaller companies sector outperformed the benchmark by 0.6% for the quarter, and by 0.2% for the 12 months ending 31 March 2009.

The sector benefited from underweight positions in underperforming Financials and Industrials. Overweight positions in Healthcare and Consumer Staples also added to relative performance against the benchmark. Within the sector, value was added through indirect effects during the quarter. This is where events that are directly related to one company also have indirect implications for another. For example, Financial Federal Corporation saw its share price rise after Citigroup announced improvements in its profitability for the first two months of the year. Financial Federal Corporation provides instalment financing and leasing programs for manufacturers, dealers and users of industrial, commercial and professional equipment. During the quarter, stock selection marginally detracted from sector returns.

Global Emerging Markets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	-1.5	-24.2	-35.3	-38.2	-18.1	-9.5	4.4
Legg Mason	-1.5	-24.2	-35.3	-38.3	-18.2	-9.6	n/a
Benchmark	1.3	-17.0	-26.3	-30.5	-13.6	-7.4	7.9

Note:

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

market commentary

MSCI EM Index in \$A: 3 month: 1.3%; 12 month: -30.5%

Global emerging markets rose slightly in the first three months of the year, up 1.3%. Returns for the 12 months to 31 March 2009 were down 30.5%.

Performance was mixed during the quarter. After rising 2.6% in January, then falling more than 6% in February, the market sustained a strong rally in the final month of the quarter, gaining 5.2%. This rally in March was part of a widespread reduction in risk aversion by investors on the hope that action taken by the US Federal Reserve would assist in reinvigorating credit creation and improve global economic growth.

Asia (+5.2%) was the strongest performing region within emerging markets. The strongest performing country was Pakistan which gained 38.4% for the quarter. Pakistan partly rebounded from its freefall in late 2008 in line with a deterioration of investability conditions that led MSCI to reclassify it as a Frontier Market. The International Monetary Fund is now providing assistance to stabilise the country's crisis-hit economy.

Latin America gained 3.2%, with Brazil recording a strong gain on the back of higher commodity prices. Mexico's fall reflected a contraction in exports to the US, its largest trading partner.

Eastern Europe/Middle East/Africa (EMEA) fell marginally by 0.8%. Extreme weakness in the Eastern European markets (such as Poland down 18.5% and Hungary falling 13.5%) reflected investor concerns about the amount of foreign debt and the financial health of European banks.

sector commentary

The sector underperformed its benchmark by 2.8% in the March quarter, and by 7.7% for the 12 month period ending 31 March 2009.

The underperformance was driven by stock selection, rather than country allocation. Stock holdings which underperformed their local markets were notably in India, with negative contributions also from Mexico and Brazil.

The most significant detractor was the holding in Satyam, the Indian company that provides information technology services globally with a client list that includes the World Bank. In January 2009 the founder and chairman resigned after disclosing major falsification of the company's financial position. Although the sector's holding was small, the near complete destruction of market value resulted in a 1% loss for the sector. The disclosure led to the "Enron of India" tag and fraud investigations are underway with several company officers currently under arrest. Satyam had been considered a model for corporate governance in emerging markets.

Tam, the Brazilian airline, continued its share price slide as the company took heavy hits from oil hedges and the impact on aircraft leasing deals of the depreciation of the Brazilian Real. Tam and America Movil (Latin America's largest mobile phone company and one of the largest active positions in the sector) both hurt performance. An underweight position in Teva also detracted value, as the Israeli generic pharmaceuticals company rallied strongly over the March quarter.

Alternative Investments – Alpha Strategies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	2.2	-2.4	-12.0	-5.9	2.5	4.6	n/a
Sector - Strategy 5	2.2	-2.4	-12.0	-5.9	-0.6	2.3	n/a
ipac Diversified Alpha Fund	2.3	-2.3	-11.9	-5.8	n/a	n/a	n/a
Benchmark	1.0	2.7	4.7	6.7	6.8	6.6	6.3

Notes:

Benchmark = UBSA Bank Bill Index.

Sector – Strategy 5.

ipac Diversified Alpha Fund

The sector returned 2.3% for the quarter and fell 5.8% for the year to 31 March 2009. This compares with the cash market's return of 1.0% and 6.7% for the respective periods (as measured by the UBS Bank Bill Index). By comparison, hedge funds, as measured by the HFRX Absolute Return Index, fell 0.5% for the quarter, and 11.1% for the year.

Performance was helped by improved market sentiment over the quarter. Some leading economic indicators pointed to activity in the US declining at a less rapid rate than at the end of 2008. In addition, there was evidence that credit conditions were improving across the globe. A number of US government programs, aimed at assisting the restructuring of the financial system, also buoyed sentiment. As a consequence, investors were generally more willing to commit capital to equity and credit markets. During the quarter, the rate of hedge fund redemptions across the broader industry appeared to slow, which was also positive for sentiment. Managers generally have raised cash levels and have implemented strategies to control capital withdrawals where appropriate.

Despite these positive developments, investor appetite for risk remains low, and both leverage levels and balance sheets are much smaller than this time last year. As a consequence, we expect that volatility will remain high. Liquidity conditions also remain tight, and as a result, strategies that are focussed on the provision of liquidity remain attractive despite reduced leverage.

As managers exit the industry, and balance sheets decrease in size, we expect returns from active stock picking to be attractive. Markets are still offering some interesting new investment opportunities and we are assessing their merits in the context of likely higher cost of capital and a poor economic environment for at least the next

six to 12 months. In particular, we remain concerned about rising bankruptcy and lower recovery rates which will impact the performance of credit related strategies and underline the importance of manager selection.

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	Notes
Australian cash	
AllianceBernstein	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	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)	BGI aims to replicate the return of the UBS Composite Bond Index.
Credit Suisse	Credit Suisse seeks to add incremental value through relative value trades in yield curve anomalies, security mispricings and credit positioning.
International Fixed Interest	
BlackRock	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	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 Securities	
BGI (Index)	BGI aims to replicate the return in line with the designated index.
SG Hiscock	SG Hiscock combines bottom-up fundamental research and a disciplined valuation process to identify companies that are undervalued relative to their long-term value.
Legg Mason	The manager values trusts from a capital markets' perspective and has captured the shift towards corporate earnings growth within this sector.
Global Property	
CBRE	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	LaSalle is an active, value-orientated manager that constructs real estate securities portfolios with regional, country and property sector diversification. LaSalle's access to direct real estate research through its parent JLL complements its proprietary securities analysis and valuation tools.
Australian Shares	
BGI	BGI has highly developed multi-factor approach developed within a well-established global research framework, supported by a highly skilled research team. Our expectations of alpha delivery remain positive.
Integrity	Integrity's investment team is well experienced in applying their disciplined process. This has a slight emphasis on valuation but aims to identify mispriced long-term sustainable value and is likely to perform strongest when markets are driven by valuations and fundamentals.
Schroders	We continue to believe that the investment team is strong and applies their pragmatic growth at a reasonable price approach in a thoughtful and effective way.
Maple-Brown Abbott	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	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	The team at Wallara is focused on making long-term investments in quality growth companies that generate shareholder value and apply this approach consistently. Aled 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	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	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.
International Shares	
Enhanced Investment Technologies	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	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	Arrowstreet employs a quantitative approach to stock selection, evaluating securities across country, sector, basket and stock dimensions. A diverse set of predictive factors are estimated across each dimension. Arrowstreet aims to exploit behavioural and informational inefficiencies in the market
GMO	GMO is a quantitative manager that combines price and earnings momentum models with an intrinsic value model to select stocks. The strong growth bias of the portfolio may mean in periods when value themes dominate the manager will under perform. Recent outperformance is reflective of the manager's bias towards quality stocks.
Bernstein Value	Bernstein Global Value identifies undervalued companies through intensive bottom-up fundamental research. The manager's use of quantitative investment screens combined with extensive qualitative industry-orientated research enables the manager to identify cheap stocks that outperform over the long-term.
LSV	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 enables 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	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	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	The Prisma Global Multi-Strategy Fund is a global fund of hedge funds. Prisma aims to construct a "low beta" portfolio where the main driver of return is manager skill rather than the direction of markets. Most of the strategies in the Fund invest in standard liquid markets but minimise general market exposure utilising a variety of hedging techniques. In doing so, Prisma aims 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	The BGI Total Return Multi-Opportunity Fund is a single manager, multi-strategy fund. The fund utilises quantitative techniques to invest in 30 underlying strategies that can be broadly categorised as Global Macro, Long Short Equity, Fixed Income (Long Short) and Alpha Transport. BGI has significant resources focused on investment research, process development and risk

management. The quantitative investment process seeks to deliver consistent, risk-controlled absolute returns over time that are uncorrelated with traditional asset classes.

portfolio management report

summary of investment activity since 1 July 2005

Date	sector	change	rationale
Aug 05	Australian shares	Appointed Challenger Financial Services Group	~ The portfolio is constructed with little reference to the benchmark, allowing for a high conviction and concentrated portfolio. This approach to investing is unique in Australian shares managers and well differentiated from other investment mandates employed by ipac.
Jan 06	Alternative income	Appointed PIMCO to manage this new asset class	~ Appointment of the PIMCO Short-Term Strategy is designed to maximise current income, while preserving capital and providing daily liquidity. ~ The strategy can be attractive in a rising interest rate environment because the added yield may more than offset the bond price depreciation associated with rising rates. ~ Appointment of this asset class and fund manager is expected to enhance the return potential of the portfolio and provide further diversification.
Jan 06	International property	Appointed CB Richard Ellis Global Real Estate Securities and LaSalle Investment Management (Securities) to manage this new asset class on a 50/50 basis	~ Appointment of CBRE is expected to generate an alpha of at least 2% above the benchmark. Two-thirds of the excess return is expected to come from stock selection, with the remainder coming from country allocation. ~ LaSalle is expected to generate at least 1.5% excess return over rolling 3-5 year periods. ~ Appointment of this asset class and these two managers are expected to enhance the return potential of the portfolio and provide further diversification.
June 06	International shares	Increased the weighting to style differentiated managers from 50% to 55% in the sector	~ Style differentiated managers have a value or growth bias while core managers do not seek to take explicit style 'bets'. ~ These changes increased the likelihood of achieving outperformance relative to the benchmark return without substantially increasing the level of risk.
July 06	International Smaller Companies	Appointed Arrowstreet to manage this new asset class	~ The appointment was made following a review of the asset allocation strategy. ~ Preference was to have a manager with an innovative quantitative approach and low funds under management. ~ Arrowstreet's investment philosophy focuses on behavioural and information mis-pricing in the market.
Nov 06	Australian shares	Review sector construction and manager allocation	~ Reviewed existing manager line-up. Comfortable with current managers and allocations.
Mar 07	Australian property	Review sector construction and manager allocation	~ Remain comfortable with existing managers. ~ Recommendations to potentially identify new opportunities to generate return while managing risk.

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

Date	sector	change	rationale
			exposure is appropriate at this point to reduce potential portfolio volatility and diversification.
Sept 08	International Shares	Enhancements to the international shares sector	<ul style="list-style-type: none"> ~ ipac has replaced Capital International and Wellington Asset Management to further diversify manager approaches, with market-oriented managers Arrowstreet Capital (Arrowstreet) and Enhanced Investment Technologies. ~ The appointment of Arrowstreet and Enhanced Investment Technologies is expected to generate a higher active return in the long-term for a similar level of risk. ~ The addition of the new managers resulted in changes in allocation to other managers in the active component to manage overall portfolio risk. As a consequence, there has been an increased allocation to the style specific managers. ~ The sector review has also resulted in the inclusion of a 15% index exposure. The combination of risk-controlled approaches with the active structure described above is expected to deliver an attractive information ratio while using a more balanced proportion of the fee budget.
Oct 08	Australian listed property (A-REITs)	Restructure of the Australian property sector	<ul style="list-style-type: none"> ~ ipac has implemented the active component of Australian Property Securities through our A-REIT Active Multi Manager Trust, featuring ipac's two managers in this sector - SG Hiscock and Legg Mason Asset Management. ~ As part of the restructure, Legg Mason Asset Management has joined SG Hiscock as a manager of the active component of Australian Property Securities for the portfolios, via their inclusion in the A-REIT Active Multi Manager Trust. ~ The restructure brings immediate diversification of manager processes and will enable further enhancements to be executed. ~ The transition occurred at no cost to investors (no trading of underlying assets was necessary).
Oct 08	Alternative Defensive – ipac Diversified Alpha Fund	Redemption from the AXA Rosenberg Long Short Equity Fund	<ul style="list-style-type: none"> ~ Effective 31 October 2008, the ipac Diversified Alpha Fund redeemed its investment in the AXA Rosenberg Long Short Equity Fund (the Fund). The decision to redeem from the Fund follows advice from the manager that they no longer intend to actively support this investment product, preferring to direct their research resources to other strategies. ~ The proceeds from the redemption have been invested with AllianceBernstein Cash and will be redeployed into other strategies as opportunities arise.
Dec 08	Australian shares	Challenger placed “On Watch”	<ul style="list-style-type: none"> ~ Following the departure of key investment team staff, the decision was made to place Challenger “On Watch”.
Mar 09	Australian Shares	Challenger terminated	<ul style="list-style-type: none"> ~ Following its “On Watch” status, ipac has removed Challenger from the line up of Australian share managers for DIS 1, 2, 3 and 4. ~ The decision was driven by ipac's concerns with

Date	sector	change	rationale
			recent investment team changes and our reduced conviction in the manager's ability to deliver excess return above the benchmark over a full market cycle, commensurate with the active risk taken.
			~ ipac has reallocated assets previously held by Challenger among other incumbent Australian shares managers.

current manager allocations

	manager	Div 1-4 allocation %	Div 5 allocation %
Australian Cash Sector	AllianceBernstein	100.0	100.0
Alternative Income Sector	PIMCO	100.0	100.0
Australian Fixed Interest Sector	BGI Index	0.0	100.0
	Credit Suisse	100.0	0.0
International Fixed Interest Sector	BlackRock	48.4	0.0
	PIMCO	51.6	100.0
Australian Property Sector	BGI Index	0.0	51.5
	A-REIT Active Multi-Manager Trust	100.0	48.5
Global Property Sector	CBRE	62.2	61.7
	LaSalle	37.8	38.3
Australian Share Sector	BGI	26.3	0.0
	Integrity	5.5	0.0
	Schroders	24.7	0.0
	Maple-Brown Abbott	17.9	35.0
	Investors Mutual	0.0	32.3
	Wallara	19.2	0.0
	Bernstein Value	0.0	14.5
	MIR	6.3	18.2
International Share (Unhedged) Sector	Enhanced Investment Technologies	14.9	0.0
	Alliance	15.5	0.0
	Arrowstreet	10.7	0.0
	GMO	18.1	0.0
	Bernstein	17.4	48.3
	LSV	8.2	29.3
	International Shares Index	15.3	22.4
International Share (Hedged) Sector	Enhanced Investment Technologies	15.1	0.0
	Alliance	15.6	0.0
	Arrowstreet	10.8	0.0
	GMO	18.3	0.0
	Bernstein	17.6	51.3
	LSV	8.2	33.5
	International Shares Index	14.3	15.2
International Smaller Companies Sector	Arrowstreet	100.0	0.0
Global Emerging Markets Sector	Legg Mason	100.0	0.0
Alternative Investments Sector - Alpha Strategies	Prisma Global Multi-Strategy Fund	51.7	51.7
	BGI Multi-Opp Fund	28.4	28.4
	AllianceBernstein	19.9	19.9

Notes:

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

Target % based on agreed allocation within each asset class.

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

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

During March 2009 Challenger was removed from the line up of Australian share managers. Assets previously held by Challenger have been reallocated among incumbent Australian shares managers.

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%	6.0%	5.0%	3.0%	2.5%	1.6%	1.0%	4.9%	5.0%	26.2	2.4	0.8
Alternative Income Sector	19.4%	20.0%	5.6%	5.0%	2.7%	2.5%	0.0%	0.0%	8.9%	7.5%	0.0	0.0	0.0
Australian Fixed Interest Sector	15.4%	15.0%	10.4%	9.0%	6.6%	5.0%	0.0%	0.0%	4.5%	4.5%	31.6	11.6	1.0
International Fixed Interest Sector	13.6%	15.0%	11.1%	9.0%	6.8%	5.0%	0.0%	0.0%	6.1%	5.0%	19.6	8.7	1.5
Defensive Assets	69.1%	70.0%	33.0%	28.0%	19.1%	15.0%	1.6%	1.0%	24.5%	22.0%	77.4	22.7	3.3
Australian Property Sector	4.6%	4.0%	3.7%	4.5%	3.5%	4.0%	4.4%	4.0%	5.0%	7.5%	2.5	5.6	1.5
Global Property Sector	3.4%	4.0%	2.8%	4.5%	2.2%	4.0%	2.9%	4.0%	4.9%	7.5%	0.7	7.7	1.3
Australian Share Sector	14.5%	14.0%	30.2%	31.0%	34.0%	36.0%	38.9%	39.0%	21.2%	21.5%	12.6	38.8	52.9
International Share (Unhedged) Sector	4.1%	4.0%	10.0%	11.0%	13.3%	13.5%	17.4%	17.5%	10.0%	10.8%	6.8	25.2	41.0
International Share (Hedged) Sector	4.3%	4.0%	12.5%	13.0%	16.9%	16.5%	22.1%	21.5%	10.8%	10.8%	0.0	0.0	0.0
International Smaller Companies Sector	0.0%	0.0%	1.9%	2.0%	2.8%	3.0%	3.7%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Global Emerging Markets Sector	0.0%	0.0%	2.7%	3.0%	2.6%	3.0%	3.6%	4.0%	0.0%	0.0%	0.0	0.0	0.0
Growth Assets	30.9%	30.0%	63.7%	69.0%	75.3%	80.0%	93.1%	94.0%	51.8%	58.0%	22.6	77.3	96.7
Alternative Investments Sector - Alpha Strategies	0.0%	0.0%	3.3%	3.0%	5.5%	5.0%	5.3%	5.0%	23.7%	20.0%	0.0	0.0	0.0
Alternative Assets	0.0%	0.0%	3.3%	3.0%	5.5%	5.0%	5.3%	5.0%	23.7%	20.0%	0.0	0.0	0.0

Notes:

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

top 10 holdings - Diversified Investment Strategies 1 - 4

Australian Shares			International Shares	
		% sector		% sector
1	BHP BILLITON LTD	9.8%	EXXON MOBIL CORP	18%
2	WESTPAC BKG CORP	7.0%	WAL MART STORES INC	15%
3	NATL AUSTRALIA BK	6.0%	JOHNSON + JOHNSON	1%
4	AUST +NZ BANK GRP	5.4%	SANOFI AVENTIS	1%
5	TELSTRA CORP	5.0%	BP PLC	10%
6	CMNWLTH BK OF AUST	4.2%	GLAXOSMITHKLINE	10%
7	WOOLWORTHS LTD	3.6%	CHEVRON CORP	10%
8	WESFARMERS	3.2%	ROYAL DUTCH SHELL	0.9%
9	ORIGIN ENERGY	2.1%	VODAFONE GROUP	0.9%
10	QBE INS GROUP	1.9%	INTERNATIONAL BUSINESS MA	0.8%

Australian Property Securities			Global Property	
		% sector		% sector
1	WESTFIELD GROUP	50.2%	UNIBAIL RODAMCO	6.8%
2	STOCKLAND	11.0%	WESTFIELD GROUP	5.8%
3	DEXUS PROPERTY GP	7.9%	SIMON PPTY GROUP INC NEW	4.8%
4	GPT GROUP	5.9%	PUBLIC STORAGE	3.8%
5	CFS RETAIL PROP	5.8%	AVALONBAY CMNTYS INC	3.6%
6	MACQUARIE OFFICE	3.5%	VORNADORLTY TR	3.5%
7	MIRVAC GROUP	3.0%	BRITISH LAND CO	2.9%
8	MACQUARIE COUNTRYWIDE	2.6%	FEDERAL RLTY INVT TR	2.6%
9	COMMONWEALTH PROPE	1.7%	STOCKLAND	2.3%
10	MACQUARIE INFRASTRUCTURE	1.5%	BOSTON PPTYS INC	2.3%

top 10 holdings - Diversified Investment Strategy 5

Australian Shares		% sector	International Shares		% sector
1	BHP BILLITON LTD	9.3%	EXXON MOBIL CORP		2.1%
2	WESTPAC BKG CORP	8.6%	CHEVRON CORP		19%
3	TELSTRA CORP	6.7%	PFIZER INC		17%
4	NATL AUSTRALIA BK	6.3%	ROYAL DUTCH SHELL		17%
5	AUST +NZ BANK GRP	5.3%	BP PLC		15%
6	CMNWLTH BK OF AUST	4.6%	VODAFONE GROUP		15%
7	FOSTERS GROUP	2.4%	AT+T INC		13%
8	TABCORP HLDGS LTD	2.2%	SANOFI AVENTIS		13%
9	AMCOR LIMITED	2.2%	MERCK +CO INC		12%
10	WESFARMERS	2.0%	CONOCOPHILLIPS		1%

Australian Property Securities		% sector	Global Property		% sector
1	WESTFIELD GROUP	50.5%	UNIBAIL RODAMCO		6.8%
2	STOCKLAND	11.7%	WESTFIELD GROUP		5.7%
3	DEXUS PROPERTY GP	7.0%	SIMON PPTY GROUP INC NEW		4.8%
4	GPT GROUP	5.1%	PUBLIC STORAGE		3.8%
5	VALAD PROPERTY GP	4.5%	AVALONBAY CMNTYS INC		3.6%
6	MIRVAC GROUP	3.1%	VORNADO RLTY TR		3.5%
7	COMMONWEALTH PROPE	3.0%	BRITISH LAND CO		2.9%
8	CFS RETAIL PROP	2.8%	FEDERAL RLTY INVT TR		2.6%
9	MACQUARIE OFFICE	2.7%	STOCKLAND		2.3%
10	MACQUARIE COUNTRYWIDE	1.7%	BOSTON PPTYS INC		2.3%

sector allocations vs benchmark - Diversified Investment Strategies 1 - 4

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	5.8%	3.8%
CONSUMER STAPLES	10.4%	9.7%
ENERGY	5.8%	8.0%
FINANCIALS EXCLUDING PROPERTY TRUSTS	30.5%	31.6%
HEALTH CARE	5.7%	4.3%
INDUSTRIALS	7.7%	5.7%
INFORMATION TECHNOLOGY	1.1%	0.7%
LISTED PROPERTY TRUSTS	2.9%	5.2%
MATERIALS	22.5%	24.4%
TELECOMMUNICATION SERVICES	6.2%	4.9%
UTILITIES	1.4%	1.6%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Barclays Capital Global Aggregate Index
NORTH AMERICA	53.9%	56.8%	56.4%	43.2%
EUROPE (EXCLUDING UK)	19.7%	20.2%	21.0%	30.6%
UK	10.5%	10.9%	6.2%	4.8%
ASIA (EXCLUDING JAPAN)	1.8%	1.5%	0.0%	1.2%
JAPAN	11.3%	10.6%	14.4%	18.3%
OTHER	0.6%	0.0%	2.0%	0.6%
EMERGING MARKETS	2.1%	0.0%	0.0%	1.4%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	11.9%	9.5%
CONSUMER STAPLES	9.3%	11.2%
ENERGY	12.9%	12.3%
FINANCIALS INCLUDING PROPERTY TRUSTS	13.1%	15.9%
HEALTH CARE	15.7%	12.1%
INDUSTRIALS	11.1%	10.4%
INFORMATION TECHNOLOGY	13.5%	12.1%
MATERIALS	5.6%	5.8%
TELECOMMUNICATION SERVICES	4.2%	5.3%
UTILITIES	2.6%	5.5%

Note:

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

Australian Fixed Interest – portfolio vs benchmark

type of security	% allocation	% UBSA Composite Bond Index
GOVERNMENT	0.0%	21.7%
SEMI GOVERNMENT	0.0%	32.8%
CORPORATE / OTHER	100.0%	45.5%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Barclays Capital Global Aggregate Index
ASSET BACKED / OTHER	29.9%	20.3%
CORPORATE	32.8%	15.1%
GOVERNMENT	37.3%	64.6%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	6.7%	7.9%
DIVERSIFIED	31.1%	28.9%
HOTEL	0.0%	0.0%
INDUSTRIAL	0.7%	2.5%
RETAIL	59.9%	60.7%
OTHER	1.7%	0.0%

Global Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	51.1%	49.5%
EUROPE EXCLUDING UK	14.2%	14.9%
UK	8.3%	8.2%
JAPAN	7.4%	7.9%
ASIA EX JAPAN	8.6%	6.6%
OTHER	10.3%	12.9%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	21.7%	21.7%
ASIA EX JAPAN	52.4%	56.3%
EUROPE / MIDDLE EAST / AFRICA/OTHER	25.9%	22.0%

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	10.6%	3.8%
CONSUMER STAPLES	9.4%	9.7%
ENERGY	4.8%	8.0%
FINANCIALS EXCLUDING PROPERTY TRUSTS	31.6%	31.6%
HEALTH CARE	2.3%	4.3%
INDUSTRIALS	8.8%	5.7%
INFORMATION TECHNOLOGY	0.4%	0.7%
LISTED PROPERTY TRUSTS	3.4%	5.2%
MATERIALS	18.1%	24.4%
TELECOMMUNICATION SERVICES	8.8%	4.9%
UTILITIES	1.9%	1.6%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Barclays Capital Global Aggregate Index
NORTH AMERICA	50.4%	56.8%	58.1%	43.2%
EUROPE (EXCLUDING UK)	25.5%	20.2%	18.4%	30.6%
UK	10.4%	10.9%	5.1%	4.8%
ASIA (EXCLUDING JAPAN)	1.1%	1.5%	0.0%	1.2%
JAPAN	9.8%	10.6%	16.0%	18.3%
OTHER	0.1%	0.0%	2.6%	0.6%
EMERGING MARKETS	2.7%	0.0%	0.0%	1.4%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	10.7%	9.5%
CONSUMER STAPLES	8.3%	11.2%
ENERGY	15.9%	12.3%
FINANCIALS	18.6%	15.9%
HEALTH CARE	11.8%	12.1%
INDUSTRIALS	9.5%	10.4%
INFORMATION TECHNOLOGY	11.3%	12.1%
MATERIALS	5.8%	5.8%
TELECOMMUNICATION SERVICES	6.1%	5.3%
UTILITIES	2.0%	5.5%

Note:

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

Australian Fixed Interest – portfolio vs benchmark

type of security	% allocation	% UBSA Composite Bond Index
GOVERNMENT	21.7%	21.7%
SEMI GOVERNMENT	32.8%	32.8%
CORPORATE / OTHER	45.5%	45.5%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Barclays Capital Global Aggregate Index
ASSET BACKED / OTHER	29.5%	20.3%
CORPORATE	33.0%	15.1%
GOVERNMENT	37.5%	64.6%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	8.1%	7.9%
DIVERSIFIED	34.1%	28.9%
HOTEL	0.0%	0.0%
INDUSTRIAL	1.6%	2.5%
RETAIL	56.0%	60.7%
OTHER	0.1%	0.0%

Global Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	51.1%	49.5%
EUROPE (EXCLUDING UK)	14.2%	14.9%
UK	8.3%	8.2%
JAPAN	7.4%	7.9%
ASIA (EXCLUDING JAPAN)	8.5%	6.6%
OTHER	10.3%	12.9%

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%