portfolio watch

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

June 2009

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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	7.0	4.4	-6.2	-6.2	-4.2	0.6	4.5
Diversified Investment Strategy No 2	9.4	4.2	-15.0	-15.0	-13.1	-3.8	3.8
Diversified Investment Strategy No 3	10.6	4.6	-17.2	-17.2	-15.6	-5.1	3.3
Diversified Investment Strategy No 4	11.7	3.8	-21.7	-21.7	-19.5	-7.5	2.2
Diversified Investment Strategy No 5	8.8	2.8	-16.6	-16.6	-13.6	-3.7	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	**1.7**	**2.0**	**2.8**	**2.8**	**4.5**	**5.1**	**5.4**
Australian Cash Sector - Strategy 5	**1.7**	**2.0**	**2.8**	**2.8**	**4.5**	**5.1**	**n/a**
UBSA Bank Bill Index	*0.8*	*1.8*	*5.5*	*5.5*	*6.4*	*6.4*	*6.1*
Alternative Income Sector	**10.3**	**12.8**	**-5.9**	**-5.9**	**0.8**	**2.7**	**n/a**
Alternative Income Sector - Strategy 5	**10.3**	**12.8**	**-5.9**	**-5.9**	**0.8**	**2.7**	**n/a**
UBSA Bank Bill Index	*0.8*	*1.8*	*5.5*	*5.5*	*6.4*	*6.4*	*6.1*
Australian Fixed Interest Sector	**0.2**	**0.3**	**12.1**	**12.1**	**7.5**	**6.4**	**6.2**
Australian Fixed Interest Sector - Strategy 5	**-1.2**	**-0.8**	**11.0**	**11.0**	**7.7**	**6.4**	**n/a**
UBSA Composite Bond Index	*-1.3*	*-1.1*	*10.8*	*10.8*	*7.6*	*6.4*	*6.0*
International Fixed Interest Sector	**4.2**	**4.5**	**6.5**	**6.5**	**6.6**	**6.1**	**6.4**
International Fixed Interest Sector - Strategy 5	**5.0**	**5.4**	**8.4**	**8.4**	**8.1**	**7.0**	**n/a**
Barclays Capital Global Aggregate (Hedged) Index	*2.2*	*2.8*	*10.0*	*10.0*	*8.9*	*7.8*	*7.2*
Alternative Defensive	**3.4**	**5.7**	**-9.0**	**-9.0**	**2.0**	**5.8**	**n/a**
Alternative Defensive - Strategy 5	**3.4**	**5.7**	**-9.0**	**-9.0**	**-1.0**	**3.2**	**n/a**
UBSA Bank Bill Index	*0.8*	*1.8*	*5.5*	*5.5*	*6.4*	*6.4*	*6.1*
Australian Property Sector	**15.1**	**-10.5**	**-46.7**	**-46.7**	**-44.0**	**-26.1**	**-10.9**
Australian Property Sector - Strategy 5	**14.5**	**-11.2**	**-44.7**	**-44.7**	**-41.6**	**-24.4**	**n/a**
S&P/ASX 300 A-REIT Index	*16.2*	*-11.8*	*-42.1*	*-42.1*	*-40.0*	*-23.1*	*-8.6*
Global Property Sector	**24.2**	**-3.7**	**-42.6**	**-42.6**	**-33.2**	**-18.8**	**n/a**
Global Property Sector - Strategy 5	**24.5**	**-3.2**	**-42.0**	**-42.0**	**-32.9**	**-18.7**	**n/a**
UBS Global Investors Index in AUD Hedged Net Div	*23.0*	*-7.2*	*-43.4*	*-43.4*	*-33.7*	*-19.5*	*n/a*
Australian Shares Sector	**11.6**	**8.1**	**-17.6**	**-17.6**	**-16.6**	**-3.7**	**7.0**
Australian Shares Sector - Strategy 5	**10.2**	**4.5**	**-14.9**	**-14.9**	**-15.9**	**-3.2**	**n/a**
S&P/ASX 300 Accum Index	*11.5*	*9.4*	*-20.3*	*-20.3*	*-17.1*	*-3.9*	*6.8*
International Shares (Unhedged) Sector	**3.1**	**-8.3**	**-19.8**	**-19.8**	**-20.4**	**-11.9**	**-3.2**
International Shares (Unhedged) Sector - Strategy 5	**6.6**	**-7.1**	**-20.6**	**-20.6**	**n/a**	**n/a**	**n/a**
MSCI World Ex Australia ($A Unhedged) Index	*3.6*	*-8.8*	*-16.2*	*-16.2*	*-18.8*	*-10.8*	*-3.1*
International Shares (Hedged) Sector	**15.4**	**5.2**	**-31.9**	**-31.9**	**-23.3**	**-10.2**	**-0.3**
International Shares (Hedged) Sector - Strategy 5	**21.2**	**8.5**	**-31.7**	**-31.7**	**-25.9**	**-11.3**	**n/a**
MSCI World Ex Australia ($A Hedged) Index	*16.5*	*4.5*	*-28.4*	*-28.4*	*-21.4*	*-8.6*	*0.3*
International Smaller Co. Sector	**26.3**	**12.2**	**-1.9**	**-1.9**	**-20.0**	**n/a**	**n/a**
International Smaller Co. Sector - Strategy 5	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
S&P/Citigroup World <US$1.5bn Cap (AUD Unhedged Net Div)	*11.1*	*-2.0*	*-15.7*	*-15.7*	*-21.8*	*-13.3*	*n/a*

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Global Emerging Markets Sector	**22.1**	**20.3**	**-20.9**	**-20.9**	**-13.4**	**-1.0**	**9.5**
Global Emerging Markets Sector - Strategy 5	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
MSCI EM in $A (div reinvested)	*15.8*	*17.3*	*-14.6*	*-14.6*	*-11.1*	*0.1*	*11.3*
Alternative Growth	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Alternative Growth - Strategy 5	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Notes:

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

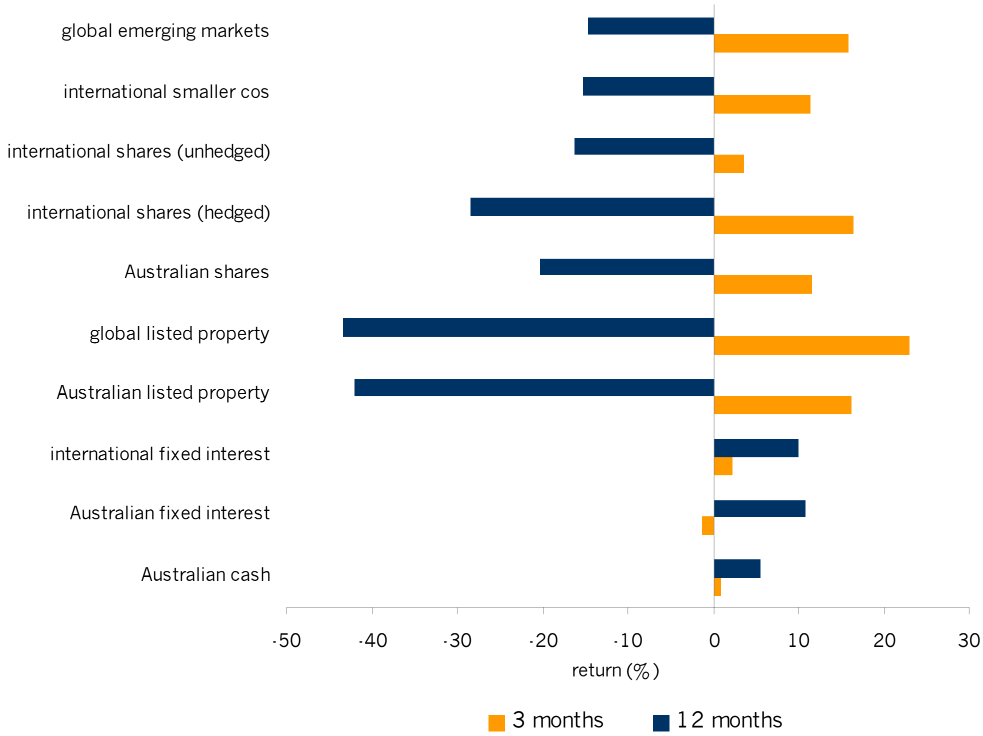
Performance figures are calculated using month-end hard close exit prices, are gross of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted.

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

investment environment

The past 12 months have been among the most challenging many of us have ever faced in financial markets. The Global Financial Crisis (GFC) has been so unprecedented in nature that considerable uncertainty has existed regarding the implications for world growth, and this uncertainty has underpinned sharp shifts in investor sentiment with the flow of economic news.

The share market has been no stranger to these turbulent times. The first eight months of the financial year saw international shares fall almost 50 per cent as investors grappled with the implications of the GFC and its impact on investment markets and the real economy. Towards the end of the financial year this extreme pessimism appeared to have moderated as there were signs that the worst of the downturn in world growth might have passed. In addition, policy measures appeared to be improving the provision of liquidity to the financial system. The outcome of this shift in sentiment was that investors' earlier appetite for safe assets such as cash and government bonds changed in favour of riskier assets. As this happened, shares rebounded sharply, gaining more than 35 per cent, and corporate bonds, commodities and commodity-based currencies gained renewed support.



source: ipac. Data as of 30 June 2009.

So where are we now? The market rebound over the past quarter is certainly encouraging, and reflects that investors have recently been willing to take on more risk. Share markets have now moved approximately half-way back to where they were when US investment bank Lehman Brothers collapsed in September. There are also signs of a thawing in credit markets with renewed life in corporate debt issues and non-government guaranteed debt. In fact, credit spreads on investment grade corporate bonds are now at levels last seen prior to the collapse of Lehman Brothers, and money market spreads are at their lowest levels since the onset of the Global Financial Crisis.

How does this translate into portfolio returns? Although diversified portfolios have benefited from the rebound of the past quarter, the negative sentiment that has dominated most of the past year has inevitably detracted from returns. Over the year, those portfolios with a higher weighting towards growth assets, such as shares and listed property, have suffered the strongest falls, although the rebound in recent months has seen these portfolios take back some of their lost ground. Within fixed interest allocations, those portfolios with a relatively large exposure to corporate debt incurred losses earlier in the year, however a tightening in credit spreads in recent months has provided a positive boost to returns in the last quarter.

How does the future look? While sentiment has clearly improved in recent months, it is still too early to call the end of the Global Financial Crisis. Before we can safely say the GFC has come to pass, we will need to see evidence of reduced financial stress (including stabilisation in US house prices), less rapid economic deterioration and evidence that banks are in a healthier position.

What this means for investment markets in the short-term is unclear. Investors should remain cautious about unexpected after-shocks from the GFC, and the market is still uncertain what long-term damage the global economy may have suffered. Nevertheless, current market valuations reflect that value still exists at today's prices, and shares and corporate debt remain attractive places to be invested.

What is ipac doing in its portfolios?

At the strategy level	~	Continuing to be open to opportunities as they arise
	~	Seeking diversified sources of return
	~	Stress-testing strategies more severely
At the manager level	~	Enhancing governance oversight
	~	Checking managers are incorporating government behaviour into their judgements and investment process
At the portfolio construction level	~	Efficient and disciplined rebalancing to keep within target asset allocation ranges

While the GFC has been a painful experience for all concerned, at ipac we still hold firm to the belief that a well diversified portfolio invested in quality assets will reward investors over the long-term. Looking forward, our strategy is to remain fully invested to core markets while purchasing quality assets at distressed prices on an opportunistic basis in other areas.

market returns

Australian cash

UBSA 90 Day Bank Bill Index: 3 month: 0.8%; 12 month: 5.5%

The Reserve Bank of Australia (RBA) cut interest rates in April to 3.0%. At its subsequent meetings, the RBA left the cash rate unchanged, noting there were signs of stabilisation in the world economy.

Australian fixed interest

UBSA Composite Bond Index: 3 month: -1.3%; 12 month: 10.8%

Yields on Australian government bonds rose noticeably over the quarter, an indication of an improvement in investor sentiment and in credit market conditions. An improvement in corporate bond markets helped moderate the weakness in the government bond sector.

international fixed interest

Barclays Capital Global Aggregate (hedged $A) Index: 3 month: 2.2%; 12 month: 10.0%

Yields on government bonds rose noticeably in most markets (prices fell), although the rises were from exceptionally low levels. Over the quarter corporate bond markets improved noticeably (prices rose), and spreads on bank debt declined from exceptionally high levels.

Australian listed property

S&P/ASX 300 A-REIT Index: 3 month: 16.2%; 12 month: -42.1%

The listed property market had a strong quarter, reflecting an improvement in investor appetite for risk. Trusts that had been particularly weak in previous months outperformed the index in the second quarter.

global listed property

UBS Global Investors Index (hedged): 3 month: 23.0%; 12 month: -43.4%

Returns for the second quarter reflected an improvement in the appetite for risk among investors. Asian markets (excluding Japan) performed particularly well, helped by firmer signs of growth in China.

Australian shares

S&P/ASX 300 Accumulation Index: 3 month: 11.5%; 12 month: -20.3%

The Australian share market was buoyed by tentative signs that the deterioration in the global economy was subsiding. Sectors linked to economic growth performed the strongest, while the more defensive sectors underperformed the broader index.

international shares

MSCI World ex-Australia Index ($A hedged): 3 month: 16.5%; 12 month: -28.4%

MSCI World ex-Australia Index ($A unhedged): 3 month: 3.6%; 12 month: -16.2%

Positive momentum in leading economic indicators helped the share market's upward trend in the second quarter. The Federal Reserve released better-than-expected results on its 'stress test' of the 19 largest US banks' balance sheets, helping to underpin demand for Financial stocks.

international smaller companies

S&P/Citigroup World < $US 1.5 billion cap Index ($A unhedged): 3 month: 11.1%; 12 month: -15.7%

Smaller companies significantly outperformed large cap stocks for the quarter, reflecting a rise in investor appetite for risk.

global emerging markets

MSCI EM Index in $A: 3 month: 15.8%; 12 month: -14.6%

Global emerging markets continued their gains from the previous quarter, significantly outperforming developed markets. The BRIC countries (Brazil, Russia, India and China) showed the strongest gains, rising 29.8% on aggregate for the quarter.

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	7.0	4.4	-6.2	-6.2	-4.2	0.6	4.5
Benchmark	4.1	1.3	-3.6	-3.6	-2.5	1.8	5.0

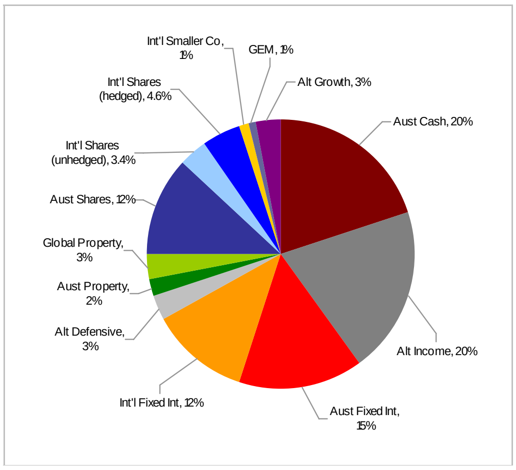
Note:

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 current asset allocations vs targets later in the document.

return drivers this period

~ Within defensive parts of the portfolio, a strong performance in corporate bonds underpinned returns during the June quarter. The portfolio has a sizeable exposure to investment grade corporate bonds through its alternative income and fixed interest sectors. These securities rebounded in the quarter as liquidity conditions improved and investors' appetite for risk returned.

~ The portfolio also benefited from its exposure to shares. International shares (hedged) rose 16.5% over the June quarter, and Australian shares gained more than 11%. During the period, share markets focussed on the tentative signs that the deterioration in the global economy was subsiding.



performance this period

~ Australian cash outperformed for the June quarter due to the sector's overweight exposure to investment grade corporate bonds, which performed relatively well compared to government bonds.

~ Alternative income strongly outperformed the index (by 9.5%). This was largely due to the sector's exposure to credit, in particular bank capital and asset backed corporate paper.

~ An overweight position in corporate investment grade bonds and residential mortgage backed securities drove outperformance in Australian fixed interest. Exposure to some offshore banks also contributed positively to returns.

~ The international fixed interest sector benefited from an exposure to corporate bonds and commercial mortgage backed securities where spreads tightened during the June quarter.

~ During the June quarter, the Australian shares sector kept pace with improved market sentiment, with the more cyclical oriented exposures providing the strongest contributions to performance.

~ In international shares, the main detractors from performance were positions in defensive areas of the market. Exposure to larger-cap, higher quality defensive names detracted from returns as investors favoured more speculative, lower quality names.

~ In Australian listed property, trusts that rebounded sharply in the June quarter tended to be those that were highly geared and holding secondary assets. Since the sector had a bias for trusts that hold prime assets and that do not have debt covenant or debt refinancing issues, this contributed to underperformance of the index.

~ Security selection drove the global listed property sector's outperformance of the index during the quarter. A number of positions in US and Japanese REITs provided a boost to relative performance.

Diversified Investment Strategy No. 2

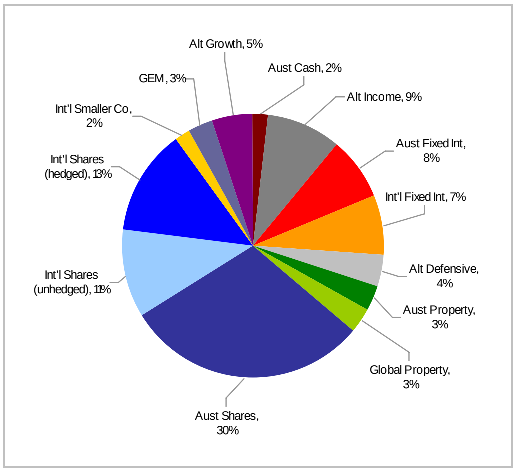
	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy 2	9.4	4.2	-15.0	-15.0	-13.1	-3.8	3.8
Benchmark	8.3	2.4	-14.5	-14.5	-12.4	-3.4	3.8

Note:

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

return drivers this period

- The portfolio's allocation to shares was the main contributor to returns during the June quarter. The share market rebounded sharply during the period as investors displayed a renewed appetite for risk. An allocation to international shares contributed to performance. During the quarter, the hedged return from international shares was noticeably higher than the unhedged return, helped by a strong rise in the Australian Dollar. The portfolio invests in both hedged and unhedged international shares.
- An allocation to investment grade corporate bonds also contributed to portfolio performance, as these securities rebounded during the period, outperforming government debt.



performance this period

- During the June quarter, the Australian shares sector kept pace with improved market sentiment, with the more cyclical oriented exposures providing the strongest contributions to performance.
- In international shares, the main detractors from performance were positions in defensive areas of the market. Exposure to larger-cap, higher quality defensive names detracted from returns as investors favoured more speculative, lower quality names.
- An overweight position in corporate investment grade bonds and residential mortgage backed securities drove outperformance in Australian fixed interest. Exposure to some offshore banks also contributed positively to returns.
- The international fixed interest sector benefited from an exposure to corporate bonds and commercial mortgage backed securities where spreads tightened during the June quarter.
- In Australian listed property, trusts that rebounded sharply in the June quarter tended to be those that were highly geared and holding secondary assets. Since the sector had a bias for trusts that hold prime assets and that do not have debt covenant or debt refinancing issues, this contributed to underperformance of the index.
- Security selection drove the global listed property sector's outperformance of the index during the quarter. A number of positions in US and Japanese REITs provided a boost to relative performance.
- Australian cash outperformed for the June quarter due to the sector's overweight exposure to investment grade corporate bonds, which performed relatively well compared to government bonds.
- Alternative income strongly outperformed the index (by 9.5%). This was largely due to the sector's exposure to credit, in particular bank capital and asset backed corporate paper.
- An improvement in market sentiment impacted positively on alternative defensive strategies during the June quarter, reflecting a rise in investor risk tolerance and market liquidity.

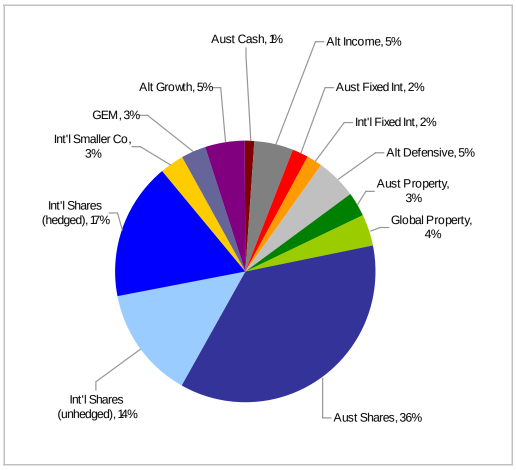
Diversified Investment Strategy No. 3

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Diversified Investment Strategy 3	10.6	4.6	-17.2	-17.2	-15.6	-5.1	3.3
Benchmark	10.0	3.3	-17.0	-17.0	-14.7	-4.7	3.4

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 current asset allocations later in the document.

return drivers this period



~ The portfolio's high allocation to growth assets underpinned strong returns for the June quarter. During the period, shares in Australian and international markets rebounded sharply. Shares in emerging market performed particularly well, outperforming developed markets, and smaller companies outperformed large caps. The portfolio benefited from an allocation to all these markets.

~ An allocation to investment grade corporate bonds also contributed to performance, and exposure to listed property benefited returns. Australian listed property gained 16.2%, and global listed property rose 23.0%, reflecting investor perceptions that economic growth would not be as weak as previously expected.

performance this period

~ During the quarter, the Australian shares sector kept pace with improved market sentiment, with the more cyclical oriented exposures providing the strongest contributions to performance.

~ In international shares, the main detractors from performance were positions in defensive areas of the market. Exposure to larger-cap, higher quality defensive names detracted from returns as investors favoured more speculative, lower quality names.

~ An overweight position in corporate investment grade bonds and residential mortgage backed securities drove outperformance in Australian fixed interest. Exposure to some offshore banks also contributed positively to returns.

~ The international fixed interest sector benefited from an exposure to corporate bonds and commercial mortgage backed securities where spreads tightened during the June quarter.

~ In Australian listed property, trusts that rebounded sharply in the June quarter tended to be those that were highly geared and holding secondary assets. Since the sector had a bias for trusts that hold prime assets and that do not have debt covenant or debt refinancing issues, this contributed to underperformance of the index.

~ Security selection drove the global listed property sector's outperformance of the index during the quarter. A number of positions in US and Japanese REITs provided a boost to relative performance.

~ Alternative income strongly outperformed the index (by 9.5%). This was largely due to the sector's exposure to credit, in particular bank capital and asset backed corporate paper.

~ An improvement in market sentiment impacted positively on alternative defensive strategies during the June quarter, reflecting a rise in investor risk tolerance and market liquidity.

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	11.7	3.8	-21.7	-21.7	-19.5	-7.5	2.2
Benchmark	11.0	2.8	-21.3	-21.3	-18.4	-6.9	2.4

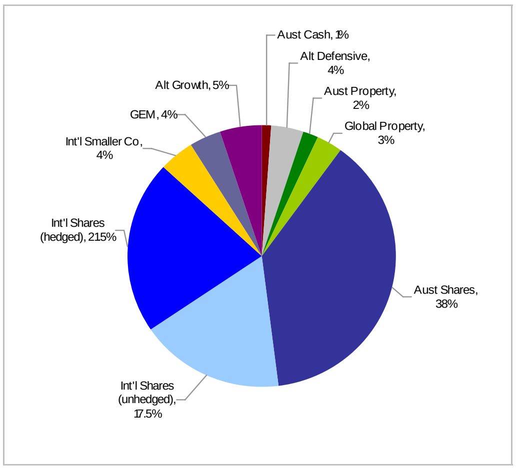
Note:

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 current asset allocations later in the document.

return drivers this period

~ A strong performance from Australian and international share markets was the largest contributor to portfolio performance during the June quarter. Share markets posted double-digit returns during the period as investors displayed a renewed appetite for risk. The portfolio also benefited from an exposure to global emerging markets and smaller companies. Emerging markets outperformed developed markets during the period, and smaller companies outperformed large caps.

~ An exposure to Australian and global listed property also benefited performance. Australian listed property gained 16.2%, and global listed property rose 23.0%, reflecting investor perceptions that economic growth would not be as weak as previously expected.



performance this period

~ During the June quarter, the Australian shares sector kept pace with improved market sentiment, with the more cyclical oriented exposures providing the strongest contributions to performance.

~ In international shares, the main detractors from performance were positions in defensive areas of the market. Exposure to larger-cap, higher quality defensive names detracted from returns as investors favoured more speculative, lower quality names.

~ In Australian listed property, trusts that rebounded sharply in the June quarter tended to be those that were highly geared and holding secondary assets. Since the sector had a bias for trusts that hold prime assets and that do not have debt covenant or debt refinancing issues, this contributed to underperformance of the index.

~ Security selection drove the global listed property sector's outperformance of the index during the quarter. A number of positions in US and Japanese REITs provided a boost to relative performance.

~ An improvement in market sentiment impacted positively on alternative defensive strategies during the June quarter, reflecting a rise in investor risk tolerance and market liquidity.

~ Global emerging markets outperformance of the index was primarily driven by stock selection, with a positive contribution also from country allocation.

~ Outperformance of the international smaller companies sector for the quarter was largely attributable to strong performance in the months of April and May. Both months saw a strong run of positive days in the share price of a number of small-cap stocks where the manager was invested.

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	8.8	2.8	-16.6	-16.6	-13.6	-3.7	n/a
Benchmark	6.7	0.1	-14.2	-14.2	-11.3	-2.7	n/a

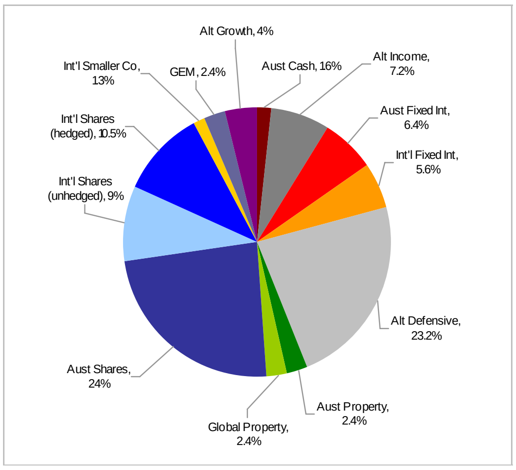
Notes:

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 current asset allocations later in the document.
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

~ The portfolio's performance during the June quarter was driven by strong returns in share markets and listed property. During the period, growth assets rebounded sharply reflecting a renewed appetite for risk among investors.

~ The portfolio also benefited from its exposure to alternative investments which regained strength during the June quarter, and a strong performance in corporate bonds also contributed to returns. The portfolio has a sizeable exposure to investment grade corporate bonds through its alternative income and fixed interest sectors. These securities rebounded in the quarter, outperforming government debt.



performance this period

~ While 'value' stocks generally outperformed 'growth' over the June quarter, the Australian shares sector's exposure to higher quality and more defensive names in the 'value' space hurt performance.

~ During the quarter, a number of changes were made to the international shares sector. Changes included investment into the Epoch Global Equity Shareholder Yield Strategy. Epoch is focussed on delivering resilience, and increased diversification of manager processes.

~ An improvement in market sentiment impacted positively on alternative defensive strategies during the June quarter, reflecting a rise in investor risk tolerance and market liquidity.

~ The Australian fixed interest sector performed in line with the index for the June quarter. The manager for this sector aims to replicate the index return.

~ In international fixed interest corporate bond positions contributed positively to performance for the June quarter, in particular senior debt holdings of financial institutions and subordinated debt.

~ Alternative income strongly outperformed the index (by 9.5%). This was largely due to the sector's exposure to credit, in particular bank capital and asset backed corporate paper.

~ In Australian listed property, trusts that rebounded sharply in the June quarter tended to be those that were highly geared and holding secondary assets. Since the sector had a bias for trusts that hold prime assets and that do not have debt covenant or debt refinancing issues, this contributed to underperformance of the index.

~ Security selection drove the global listed property sector's outperformance of the index during the quarter. A number of positions in US and Japanese REITs provided a boost to relative performance.

market, sector & manager performance

This section of the report provides an overview of market and sector performance. Sector commentary is generally for the multi-manager diversified portfolios unless indicated. Individual manager commentary for Alternative Assets provides an overview of the different strategies.

Multi manager sector performance figures are calculated based on the unit holdings for the underlying manager trusts using their respective month-end hard close exit prices. Based on ipac Diversified Investment Strategies No. 2 & 5.

Single manager sector and **manager** performance figures are calculated based on month-end hard close valuations using a time-weighted return methodology and are gross of fees and tax. No fees are applicable to an investor at this level.

Note: Past performance is not necessarily indicative of future performance.

Australian Cash

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	1.7	2.0	2.8	2.8	4.5	5.1	5.4
Sector - Strategy 5	1.7	2.0	2.8	2.8	4.5	5.1	n/a
AllianceBernstein	1.7	2.1	2.8	2.8	4.4	5.1	5.4
Benchmark	0.8	1.8	5.5	5.5	6.4	6.4	6.1

Note:
Benchmark = UBSA Bank Bill Index.

market commentary

UBSA 90 Day Bank Bill Index: 3 month: 0.8%; 12 month: 5.5%

During the June quarter, the Reserve Bank of Australia (RBA) cut interest rates on one occasion – by 0.25% to 3.0% in April. At its later meetings during the quarter, the RBA left the cash rate unchanged, noting there were signs of stabilisation in the world economy and signs that financial market conditions were beginning to improve.

Economic conditions in Australia also appeared to be stronger. The National Accounts released during the June quarter indicated that Australia had so far avoided a recession, which is defined as two consecutive quarters of declining GDP. Housing indicators were also firmer, and consumer and business sentiment indicators showed some signs of improvement.

The outlook suggests quite limited upside pressures on cash rates in the near-term. With policy focussed on reviving activity, the monetary policy bias remains slanted towards lower cash rates.

sector commentary

The sector outperformed the index by 0.9% for the June quarter, but underperformed by 2.7% for the year to 30 June 2009.

Outperformance for the quarter was the result of the sector's overweight exposure to investment grade corporate bonds. During the period, investor appetite for risk improved, and as a consequence corporate bonds performed relatively well compared to government bonds. The spread on investment grade corporate bonds fell by more than 250 basis points. This level was last seen prior to the collapse of US investment bank Lehman Brothers in September 2008.

We are currently reviewing the strategy for Australian cash. The outcome of this sector review will be announced shortly.

Alternative Income

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	10.3	12.8	-5.9	-5.9	0.8	2.7	n/a
Sector - Strategy 5	10.3	12.8	-5.9	-5.9	0.8	2.7	n/a
PIMCO	10.3	12.8	-5.9	-5.9	0.8	2.7	n/a
Benchmark	0.8	1.8	5.5	5.5	6.4	6.4	6.1

Notes:
Benchmark = UBSA Bank Bill Index.

sector commentary

The sector outperformed the index by 9.5% for the June quarter, but underperformed by 11.4% for the year to 30 June 2009.

The positive relative performance for the quarter was largely driven by the sector's exposure to credit, in particular bank capital and asset backed corporate paper, where spreads contracted to their lowest levels in more than six months. Reversing the trend of previous quarters, bank capital securities that are lower down the capital structure (ie, Tier 1 and Upper Tier 2) performed significantly better than securities with higher seniority. The spread of Tier 1 debt tightened by more than 900 basis points for the quarter, and Upper Tier 2 spreads came in 440 basis points.

While the sector's exposure to these securities has been beneficial for performance over recent months, volatility remains high in this area of the market. As such, the performance of these securities over the short-term will be uncertain. On a medium- to long-term basis bank capital has the potential to deliver a premium above the index.

Australian Fixed Interest

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	0.2	0.3	12.1	12.1	7.5	6.4	6.2
Sector - Strategy 5	-1.2	-0.8	11.0	11.0	7.7	6.4	n/a
BGI Index	-1.2	-0.8	11.0	11.0	7.7	6.4	n/a
Credit Suisse	0.1	0.1	12.2	12.2	7.6	6.4	6.2
Benchmark	-1.3	-1.1	10.8	10.8	7.6	6.4	6.0

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: -1.3%; 12 month: 10.8%

Yields on Australian government bonds rose noticeably over the June quarter (prices fell), reflecting a shift out of government bonds and an improvement in credit market conditions. The yield on the 3 year government bond rose from 3.40% to 4.56%, while the yield on the 10 year bond rose from 4.42% to 5.52%.

Yields on long-dated bonds rose in response to concerns around levels of government debt. During the quarter, the Australian Government announced a budget deficit of A$57.6 billion for 2009-2010. To support the funding of initiatives in the Federal Budget, the Government said it would issue A$60 billion in government bonds over the 12 months to 30 June 2010. State governments also indicated they would be increasing bond issues to fund large infrastructure programs.

Over the quarter, an improvement in corporate bond markets helped moderate the weakness in the government bond sector. Spreads on corporate bonds, particularly investment grade debt, declined markedly, indicating a price rise.

sector commentary

The sector outperformed the index by 1.5% for the June quarter, and by 1.3% for the year to 30 June 2009.

An overweight position in corporate investment grade corporate bonds and residential mortgage backed securities was positive for performance as spreads tightened across most credit securities in the Australian market. Exposure to some offshore banks also contributed positively, where spreads fell to their lowest levels in more than six months.

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. During the quarter, these positions also contributed to outperformance of the index.

We are currently reviewing the strategy for Australian fixed interest, and examining the opportunity set for active managers. The outcome of this sector review will be announced shortly.

sector commentary (Strategy 5)

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	4.2	4.5	6.5	6.5	6.6	6.1	6.4
Sector - Strategy 5	5.0	5.4	8.4	8.4	8.1	7.0	n/a
BlackRock	3.3	3.5	4.9	4.9	5.5	5.3	5.9
PIMCO	5.0	5.4	8.8	8.8	8.3	7.1	7.1
Benchmark	2.2	2.8	10.0	10.0	8.9	7.8	7.2

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: 2.2%; 12 month: 10.0%

Yields on government bonds rose noticeably in most markets (prices fell), although the rises came from low levels. The yield on the 2 year US government bond rose from 0.78% to 1.11%, while the 10 year yield rose from 2.66% to 3.53%. The rise in yields reflected a sentiment among investors that the worst of the economic slowdown might have passed.

Over the June quarter, corporate bond markets improved noticeably. Credit spreads narrowed (prices rose), reflecting increased investor risk appetite which has helped to underpin improved liquidity. Investment grade corporate bond spreads are now at levels last seen prior to the collapse of Lehman Brothers, and money market spreads are at their lowest levels since the onset of the Global Financial Crisis.

Spreads on bank debt also declined from exceptionally elevated levels. During the quarter, the Federal Reserve released better-than-expected results on its ‘stress test’ of the 19 largest US banks’ balance sheets. The results indicated that more than half the banks assessed did not require any extra capital, and the extra capital that was required was approximately US$75 billion, well below market estimates. This news underpinned a rally in bank capital, and subsequent capital raisings by banks were heavily subscribed. Signs that banks were also looking to pay back borrowings from the government, and issue debt without guarantees also provided support for bank capital.

sector commentary

The sector outperformed the index by 2.0% for the June quarter, but underperformed by 3.5% for the year to 30 June 2009.

The positive relative performance for the quarter was largely driven by the sector’s exposure to corporate bonds where spreads contracted significantly during the period. An overweight exposure to commercial mortgage backed securities (CMBS) also contributed positively as spreads tightened.

During the quarter, the sector benefited from its yield curve positions. Government yield curves steepened across most markets, acting as a positive contributor to performance.

sector commentary (Strategy 5)

The sector outperformed the index by 2.8% for the June quarter, but underperformed by 1.6% for the year to 30 June 2009.

Corporate bond positions contributed positively to performance for the quarter, in particular senior debt holdings of financial institutions and subordinated debt.

During the quarter, the sector benefited from its yield curve positions. Yield curves across most government bond markets steepened, acting as a positive contributor to performance.

Alternative Defensive

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	3.4	5.7	-9.0	-9.0	2.0	5.8	n/a
Sector - Strategy 5	3.4	5.7	-9.0	-9.0	-1.0	3.2	n/a
Alternative Defensive Multi-Manager	3.4	5.7	-9.0	-9.0	n/a	n/a	n/a
Benchmark	0.8	1.8	5.5	5.5	6.4	6.4	6.1

Note:

Alternative Defensive Multi-Manager: inception date 1st April.

sector commentary

An improvement in market sentiment impacted positively on sector performance for the June quarter, reflecting a rise in investor risk tolerance and market liquidity. Although the appetite for risk rose, the capital deployed to hedge fund strategies remained considerably less than before the onset of the Global Financial Crisis. This meant that available investment opportunities were being chased by less capital, making them potentially more profitable.

During the quarter, liquidity conditions in the market remained constrained and, as a result, strategies focussed on the provision of liquidity were attractive. Although investors continued to be wary of fund redemptions, it appeared to be less of an issue than in previous quarters.

Alternative defensive strategies continue to offer some interesting new investment opportunities, and we are assessing the merits of these investments in the context of a higher cost of capital and a difficult economic environment for at least the next six to 12 months. On 1 July, we appointed a new manager, Oak Hill Advisors, to the sector. The manager is a US-based credit specialist that can take advantage of pricing discrepancies through both long and short positions.

Australian Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	15.1	-10.5	-46.7	-46.7	-44.0	-26.1	-10.9
Sector - Strategy 5	14.5	-11.2	-44.7	-44.7	-41.6	-24.4	n/a
A-REIT Multi-Manager	15.1	-10.5	n/a	n/a	n/a	n/a	n/a
Benchmark	16.2	-11.8	-42.1	-42.1	-40.0	-23.1	-8.6

Notes:

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

During April 2009 ipac transitioned all Australian Property holdings into the Enhanced Leaders Index and Perennial (high conviction portfolio).

market commentary

S&P/ASX 300 A-REIT Index: 3 month: 16.2%; 12 month: -42.1%

After falling 24% in the first quarter of the year, the Australian listed property market reversed trend in the June quarter, rising 16.2%. The market's recent performance reflected investor perceptions that economic growth would not be as weak as previously expected. During the quarter, there were also large capital raisings and balance sheet restructuring activity aimed to lower the gearing levels of some trusts. The GPT Group announced a A$1.7 billion capital raising in June, reducing its gearing level to below 20%, and causing it to be placed on 'positive watch' by credit rating agencies. Mirvac also announced a large capital raising as part of its balance sheet restructure. News of restructuring activity resulted in a cautious re-emergence of risk appetite among investors, and a re-weighting to trusts with more capital constraints.

During the quarter, there was a wide dispersion in the returns of trusts in the S&P/ASX 300 A-REITs Index. Those trusts that had suffered particularly poor performance in previous months, outperformed the index in the second quarter. Names such as Tishman Speyer Office Fund (+257.1%), Centro Retail Group (+253.6%) and Macquarie DDR Trust (+233.3%), recorded the largest percentage gains, albeit from very low levels.

The worst performing trusts were FKP Limited (-22.4%), ING Real Estate Entertainment Fund (-14.7%), Real Estate Capital Partners USA Property Trust (-13.9%), Aspen Group (-11.8%) and Commonwealth Property Office Fund (-8.3%).

sector commentary

The sector underperformed the index by 1.1% for the June quarter.

During the quarter the sector was restructured to enable it to respond better to the increased concentration and skewness of the Australian listed property market. The new structure allows managers to express their stock selection views more freely. The benchmark composition risk is more explicitly managed by combining a customised index mandate for the largest trusts in the benchmark with a higher conviction mandate that covers a wider universe of property trusts. The two managers appointed to manage the sector are Perennial Real Estate Investments and Vanguard Investments.

Underperformance for the quarter reflected the disparity between the types of trusts that rebounded sharply and the sector's holdings. The trusts that rebounded sharply in the quarter tended to be those that were highly geared and holding secondary assets, while the sector had a bias for trusts that hold prime assets and that do not have debt covenant or debt refinancing issues. Among the holdings that detracted from the sector's return was an overweight position in Goodman Group. Goodman Group's bridging finance arrangements to manage the refinancing of its multi-currency debt facility were not well received by investors, and contributed to marked volatility in its stock price.

Global Property

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	24.2	-3.7	-42.6	-42.6	-33.2	-18.8	n/a
Sector - Strategy 5	24.5	-3.2	-42.0	-42.0	-32.9	-18.7	n/a
CBRE	25.0	0.8	-37.4	-37.4	-29.7	-15.8	n/a
LaSalle	25.0	-8.2	-47.6	-47.6	-36.7	-22.0	n/a
Global Property Index	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Benchmark	23.0	-7.2	-43.4	-43.4	-33.7	-19.5	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: 23.0%; 12 month: -43.4%

After falling more than 24% in the first quarter, the global listed property market rebounded sharply in the June quarter, gaining 23.0%. The strong returns reflected an improvement in the appetite for risk among investors.

Asia (excluding Japan) was the strongest performing region. Hong Kong was particularly strong (up 33.5% for the quarter), helped by firmer signs of growth in China. Elsewhere in Asia, Singapore performed well. In Singapore, every REIT has successfully refinanced debt as it has fallen due.

The US market also made solid ground during the quarter, gaining 28.1%. This performance was consistent with that of the broader share market which saw a preference for sectors that had previously been out of favour. So far this year, US REITs have raised $US10.6 billion from share sales to reduce debt and acquire assets from competitors weakened by the recession. This has also enabled them to avoid distressed asset sales amid rising vacancy rates and declining prices.

Japan was the weakest performing market during the quarter, although returns were still positive (+11.8%). Economic conditions remained weak and signs of recovery were less apparent. During the quarter, the Japanese government announced plans to allocate 800 billion yen ($US8.2 billion) this year to support the local property market. This will be used to finance purchases by REITs and to support property acquisitions by developers. This news was met with some scepticism by market analysts who believe creating a safer investment environment would be more effective than short-term financing.

sector commentary

The sector outperformed the index by 1.2% in the June quarter, and by 0.8% in the 12 month period.

Security selection drove the sector's outperformance of the index during the quarter. In the US, overweight exposures to Host Hotels & Resorts and Macerich, the owner and operator of regional malls in Western US, contributed positively. Lodging companies generally rose over the quarter on perceptions that the economic slowdown was nearing an end. Although the sector is underweight hotels, select exposures such as Host added value. Similarly, despite an underweight exposure to the retail sector, holdings such as Macerich and Unibail-Rodamco, a leading pan-European retail mall company, contributed to performance.

A number of positions in Japanese REITs provided a boost to relative performance during the quarter. Overweight exposures to Japan Retail Fund and Mitsui Fudosan, a real estate developer, helped performance. In addition, an underweight position in Japan Real Estate, which is highly concentrated in Tokyo, contributed positively.

The sector's overweight position in Macquarie Countrywide also helped performance as the trust took action to improve its damaged balance sheet.

During the quarter the sector was restructured, and an indexing component was introduced to improve the efficiency of the total diversified portfolio.

Australian Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	11.6	8.1	-17.6	-17.6	-16.6	-3.7	7.0
Sector - Strategy 5	10.2	4.5	-14.9	-14.9	-15.9	-3.2	n/a
BGI	11.4	9.1	-22.7	-22.7	-18.5	-4.8	6.9
Integrity	13.1	13.4	-6.9	-6.9	n/a	n/a	n/a
Schroders	12.4	9.7	-11.7	-11.7	-14.4	-2.2	8.8
Maple-Brown Abbott	12.0	6.7	-11.0	-11.0	-13.0	-1.0	7.2
Investors Mutual	7.8	3.7	-10.5	-10.5	-14.6	-2.3	5.6
Wallara	10.6	8.3	-18.2	-18.2	-15.1	-4.2	7.4
Bernstein Value	12.0	9.2	-13.9	-13.9	-17.6	-4.5	n/a
MIR	9.2	-1.3	-28.4	-28.4	-21.4	-7.1	n/a
Benchmark	11.5	9.4	-20.3	-20.3	-17.1	-3.9	6.8

Notes:

Benchmark = S&P/ASX 300 Accumulation Index.

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

market commentary

S&P/ASX 300 Accumulation Index: 3 month: 11.5%; 12 month: -20.3%

The share market rally that began in the final three weeks of March continued into the June quarter. This came despite weak economic data relating to credit growth, retail sales and unemployment. Share markets focussed more on the tentative signs that the deterioration in the global economy was subsiding.

Sectors linked to an improved environment performed the strongest - Consumer Discretionary (+17.5%) and Industrials (+13.7%), while the more defensive sectors such as Utilities (-1.6%), Healthcare (+4.7%) and Telecommunications (+6.3%) lagged.

There was a large dispersion of returns across stocks. There were strong gains among some of the smaller miners such as Karoon Gas Australia (+202.0%) and Deep Yellow (+139.3%), while Apex Minerals fell 43.6% and Flinders Mines was down 40.2%.

Among Consumer Discretionary stocks, notable outperformers were Flight Centre (+62.3%) and David Jones (+62.5%). Australian retail trade has held up extremely well against peer countries, with data released in May showing that retail trade (excluding autos) climbed to 7.1% year-on-year. This is much stronger than retail trade figures from the US (-8.5%), the UK (-1.1%) and New Zealand (+2.5%).

During the period, there were a number of corporate failures. Timbercorp was placed into voluntary administration and Great Southern collapsed. Profit warnings from Billabong, Lend Lease, MacMahon, Bendigo Bank, Adelaide Bank and West Australian Newspapers saw the value of their shares tumble.

sector commentary

The sector marginally outperformed the index for the June quarter, and outperformed by 2.7% for the 12 month period.

During the quarter, the sector kept pace with improved market sentiment, with the more cyclical oriented exposures providing the strongest contributions to performance.

At a stock level, the sector benefited from overweight positions in Brambles (+24.2%), NewsCorp (+19.1%) and Wesfarmers (+20.2%). Underweight positions in CSL (-1.1%), Newcrest Mining (-6.8%) and Lihir Gold (-10.1%) also proved positive for performance.

Stock selection in the major banks, however, detracted from returns. An overweight position in Santos (-5.9%), and underweight exposure to ASX (+26.0%) were negative contributors over the quarter. The sector's orientation towards quality also meant there was limited scope in participating in the rebound of a number of lower quality stocks, such as small resource companies and listed property trusts that had suffered heavily in previous quarters.

Over the quarter, there continued to be a continued flow of new capital raisings. Rio Tinto, ANZ, Primary Healthcare, Santos, Stockland, Bluscope Steel, Asciano, Mirvac and Alumina were among those companies that tapped the market for further capital. The sector continues to participate in many of the capital raisings where managers see opportunities to buy good companies at what is usually a discounted price.

sector commentary (Strategy 5)

The sector underperformed the index by 1.3% for the June quarter, and by 5.4% for the 12 months to 30 June 2009.

While 'value' stocks generally outperformed 'growth' over the quarter, the sector's exposure to higher quality and more defensive names hurt performance as investors favoured lower quality, speculative names. Overweight positions in Transurban (-10.5%), ConnectEast (-24.7%), Fosters (+1.8%), Coca Cola Amatil (-0.7%), Telstra (+5.6%) and Origin Energy (-1.1%) all detracted from performance. On the positive side, overweight positions in Brambles, Newscorp and Wesfarmers added value for the quarter. These stocks gained 24.2%, 19.1% and 20.2% respectively.

International Shares

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector - Unhedged	3.1	-8.3	-19.8	-19.8	-20.4	-11.9	-3.2
Sector - Strategy 5 Unhedged	6.6	-7.1	-20.6	-20.6	n/a	n/a	n/a
Enhanced Investment Technologies	-0.1	-11.2	n/a	n/a	n/a	n/a	n/a
Alliance	0.5	-8.3	-30.0	-30.0	-25.4	-16.3	-5.7
Arrowstreet	7.2	-4.0	n/a	n/a	n/a	n/a	n/a
GMO	0.5	-9.6	-15.6	-15.6	-15.7	-8.6	n/a
Bernstein	5.8	-7.9	-27.4	-27.4	-27.5	-16.0	-4.2
LSV	7.7	-6.7	-13.7	-13.7	-20.9	-11.1	n/a
Epoch	n/a	n/a	n/a	n/a	n/a	n/a	n/a
International Shares Index	3.6	-8.5	n/a	n/a	n/a	n/a	n/a
Benchmark	3.6	-8.8	-16.2	-16.2	-18.8	-10.8	-3.1
Sector - Hedged	15.4	5.2	-31.9	-31.9	-23.3	-10.2	-0.3
Sector - Strategy 5 Hedged	21.2	8.5	-31.7	-31.7	-25.9	-11.3	n/a
Enhanced Investment Technologies	11.8	2.0	n/a	n/a	n/a	n/a	n/a
Alliance	12.5	5.3	-40.5	-40.5	-28.2	-14.6	-2.9
Arrowstreet	20.0	10.2	n/a	n/a	n/a	n/a	n/a
GMO	12.4	3.8	-28.3	-28.3	-18.9	-6.8	n/a
Bernstein	18.4	5.7	-38.3	-38.3	-30.2	-14.4	-1.3
LSV	20.6	7.1	-26.6	-26.6	-23.9	-9.4	n/a
Epoch	n/a	n/a	n/a	n/a	n/a	n/a	n/a
International Shares Index	15.7	4.8	n/a	n/a	n/a	n/a	n/a
Benchmark	16.5	4.5	-28.4	-28.4	-21.4	-8.6	0.3

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.
During May 2009 ipac re-structured the international shares sector of DIS 5, adding Epoch, GMO, Enhanced Investment Technologies, Arrowstreet and Alliance Growth to the sector.

market commentary

MSCI World ex-Australia Index ($A hedged): 3 month: 16.5%; 12 month: -28.4%

MSCI World ex-Australia Index ($A unhedged): 3 month: 3.6%; 12 month: -16.2%

The share market rally that began in March continued in April and May, before levelling out in June. A successful G20 Summit in London, the announcement of a strong fiscal stimulus by G20 nations (2% of 2009 GDP), and some positive momentum in leading indicators helped the market's upward trend. While the unhedged index made gains over the quarter, the hedged return was noticeably higher, helped by a 17.6% rise in the Australian Dollar.

The Nordic market was the strongest, up 24.9%, and the Asian exchanges enjoyed strong gains (+22.2%), supported by a rebound in China's March GDP number. North America was in line with the broader index, while Europe underperformed (+15.5%).

The strongest performing sectors of the market were Financials (+30.6%), Industrials (+19.3%) and Information Technology (+19.0%), while the weakest performing sectors were Telecommunications (+2.6%), Healthcare (+6.4%) and Utilities (+7.2%).

The strong performance of the Financial sector was supported by better-than-expected profit reports that were released during the quarter. In addition, the Federal Reserve released better-than-expected results on its 'stress test' of the 19 largest US banks' balance sheets. The results indicated that more than half the banks assessed did not require any extra capital, and the extra capital that was required was approximately US$75 billion, well below many market estimates. This news underpinned not only a rally in bank capital, but in the broader share market, and subsequent capital raisings by banks were heavily subscribed.

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.

sector commentary

The sector (unhedged) underperformed the index by 0.5% for the June quarter, and by 3.6% for the 12 month period ending 30 June 2009.

The main detractors from performance for the quarter were the sector's positions in defensive areas of the market. Exposure to larger-cap, higher quality defensive names such as GlaxoSmithKline (-1.8%) and Walmart (-7.0%) detracted from returns as investors favoured more speculative, lower quality names.

During the period, managers with a value bias contributed positively to sector performance. For the three months to 30 June 2009, value stocks significantly outperformed the broader market and growth stocks. The MSCI World ex-Australia Value Index gained 19.0%, while the MSCI World ex-Australia Growth Index gained 14.5%. Bernstein Value and LSV have a value bias and outperformed the index. Arrowstreet's process allows the manager to take style tilts. The manager's portfolio is currently exhibiting valuation tilts, which enabled it to outperform the index. LSV was also aided by its bias to smaller companies.

Managers such as GMO, who has a high quality bias, underperformed the index. Alliance Growth also detracted from the sector's returns as its performance was negatively impacted by stock selection.

sector commentary (Strategy 5)

The sector (unhedged) outperformed the index by 3.0% for the June quarter, and underperformed by 4.4% for the 12 month period ending 30 June 2009.

During the quarter, a number of changes were made to the sector. Approximately 20 per cent of the sector was allocated to the Epoch Global Equity Shareholder Yield Strategy. Epoch is expected to be more resilient in falling markets. The manager invests in quality companies and management teams that have the capacity to consistently generate and grow free cash-flow. Companies that use that cash-flow to increase shareholder yield are deliberately targeted.

Enhancements were also made to the overall portfolio construction of the sector to support the achievement of the portfolio's objectives. In addition to incumbent managers Bernstein Value, LSV and index managers Vanguard and BGI, ipac appointed GMO, Enhanced Investment Technologies, Arrowstreet and Alliance Growth to the international shares sector. Each bring their own source of return and value-add, serving to further diversify the sector.

International Smaller Companies

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	26.3	12.2	-1.9	-1.9	-20.0	n/a	n/a
Sector - Strategy 5	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Arrowstreet	26.0	12.0	-2.1	-2.1	-20.1	n/a	n/a
Benchmark	11.1	-2.0	-15.7	-15.7	-21.8	-13.3	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: 11.1%; 12 month: -15.7%

Smaller companies significantly outperformed large cap stocks for the quarter. Smaller companies had been significantly weaker in earlier quarters as investor risk aversion remained high. This trend reversed in the June quarter as investors began to demonstrate risk-seeking behaviour.

International smaller companies were driven by much the same trends as those of larger companies. The strongest performing regions were the Nordic (+31.3%) and Far East (+25.8%) markets, while North America (+22.9%) and Europe (+24.3%) lagged the broader index.

There was a large dispersion in returns across sectors in the June quarter. The strongest performing areas of the US Russell 2000 Index (which accounts for a large proportion of the international smaller company index) were Information Technology (+30.3%), Autos (+27.2%) and Materials (+25.9%), while the weakest sectors were Energy (-21.6%) and Utilities (+7.0%).

sector commentary

The sector outperformed the index by 15.2% for the June quarter, and by 13.8% for the 12 month period ending 30 June 2009.

The sector's significant outperformance during the quarter was largely attributable to strong outperformance of the index during the months of April and May. Both months saw a strong run of positive days in the share price of a number of small-cap stocks where the manager was invested. Among the larger contributors to performance in April were Borders Group (+330%), Sonic Automotive (+220%), Eniro (+185%), Asbury Automotive (+124%) and jeweller Zale Corp (+91%). In May, exposure to Tenneco Inc (+100%), Andersons Inc (56%), and investment group MGIC Inc (+71%) contributed positively.

While the level of outperformance during the quarter is unusual, it is entirely consistent with the agreed tracking error. The manager runs its portfolio at a relatively high risk level with a long-term target of 7%. While the manager varies this target as opportunities change, it predicts that the level of risk was very close to 7% for most of the June quarter.

Global Emerging Markets

	3 mths %	6 mths %	Fin YTD %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Sector	22.1	20.3	-20.9	-20.9	-13.4	-1.0	9.5
Sector - Strategy 5	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Esemplia Emerging Markets	21.9	20.0	-21.1	-21.1	-13.6	-1.1	n/a
Benchmark	15.8	17.3	-14.6	-14.6	-11.1	0.1	11.3

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

market commentary

MSCI EM Index in $A: 3 month: 15.8%; 12 month: -14.6%

Global emerging markets continued their gains from the previous quarter, significantly outperforming developed markets. The strong performance of emerging markets reflected increased risk-taking among investors as leading economic indicators suggested the worst of the slump in world growth might be passing.

The BRIC countries (Brazil, Russia, India and China) showed the strongest gains, rising 29.8% on aggregate for the quarter. China was supported by encouraging leading indicators which suggested firmer economic growth. The official Purchasing Managers Index was at 53.1 in May; a reading above 50 indicates an expansion. In Brazil, falling interest rates, government stimulus plans and increased demand for commodities buoyed sentiment. The EMEA region (Europe, Middle East and Africa) was the weakest performing market, up 16.5%.

Within emerging markets, the strongest performing sectors were Financials (+35.8%), Consumer Discretionary (+33.8%) and Industrials (+25.7%). The weakest performing sectors were defensive areas of the market – Healthcare (+6.3%), Telecommunications (+13.8%) and Information Technology (+17.2%). These sectors were driven by the same themes that influenced developed markets.

sector commentary

The sector outperformed the index by 6.3% in the June quarter, but underperformed the index by 6.3% in the 12 month period.

During the quarter, outperformance was primarily driven by stock selection, with a positive contribution also from country allocation.

There was a large difference between the performance of the top performing emerging market and the worst performing emerging market. India was up 50% for the quarter in local currency terms, while South Africa gained 6%. This resulted in country exposures providing a greater contribution to relative performance than is typically the case. An underweight exposure to Taiwan (one of the weaker performing markets), and an overweight position in India contributed positively.

Among the top contributors to performance at a stock level were holdings in Mexico, Indonesia and Brazil. The sector also benefited from its exposure to a number of Financials - Gruppo Financiero Banorte in Mexico, Sberbank in Russia, Turkiye Granti Bankasi in Turkey and State Bank of India. Holdings in Resource stocks also contributed positively, with Indonesian coal miner, Bumi Resources, and Russia’s second largest gas producer, Novatek, adding value.

Alternative Growth

Global Listed Infrastructure

During the June quarter, the Alternative Growth sector was added to the multi-manager diversified portfolios as part of the recent strategic asset allocation changes so investment performance is not shown for the entire reporting period.

The Alternative Growth sector fulfils a return seeking role and provides a good source of diversification in portfolios. The sector will include alternative assets that perform differently to mainstream share, property and debt markets.

The initial investment strategy in the Alternative Growth sector is an investment in Global Listed Infrastructure. The addition of Global Listed Infrastructure aims to further diversify the economic and risk exposures of the portfolios. Infrastructure incorporates assets used in the provision of basic facilities and services required by the community, such as transportation, water and power. Vanguard Investments was appointed as manager of the Global Listed Infrastructure sector.

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 Barclays 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.
Alternative Defensive	
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.
Oak Hill Credit Alpha Fund	Oak Hill is a US-based credit manager that pursues a number of different strategies in the credit markets. The Credit Alpha Fund is a long/short credit fund that invests primarily in senior secured bank loans, high yield bonds, capital structure arbitrage opportunities and bespoke corporate financing transactions. The fund aims to deliver attractive risk adjusted returns with relatively low volatility. Modest levels of leverage can be used but net exposures are typically held between 40% and 80%. Returns are generated predominantly through extensive bottom-up research as opposed to big macro bets. Oak Hill is a high quality manager with deep experience in investing in this market. The firm's alpha edge is driven by the network of contacts in private equity markets (a significant driver of the loan market), the wider Oak Hill affiliations and the high quality and well-motivated professional staff.
Australian Property Securities	
Perennial	Perennial is an active, fundamental manager that seeks to identify opportunities where market

	pricing differs significantly from intrinsic value. Internal stock research is focused on assessing total return expectations and funds from operations (FFO) growth.
Enhanced Leaders Index	Vanguard uses an optimised replication process to build an enhanced leaders portfolio providing predictability of relative outcome and a high degree of cost efficiency.
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.
Global Property Index	Vanguard is the manager of this sector. The sector aims to deliver index returns.
Australian Shares	
BGI	BGI has highly developed multi-factor approach developed within a well-established global research framework, and is 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 are focused on making long-term investments in quality growth companies that generate shareholder value and apply this approach consistently. Ably led by Peter Wetherall, their long-term, high conviction approach means some short-term volatility can be expected when the market environment is not suited to the manager's approach.
Bernstein Value	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 actively 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.
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 should enable the manager to outperform over the long-term.
Epoch Global Shareholder Yield	Epoch is an active, fundamental bottom-up manager. They seek to invest in high quality companies generating free cash flows to pay high and stable dividends and repay debt and buy back stocks to enhance shareholder yields. Portfolios tend to have an inherent defensive tilt.
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	
Esemplia Emerging Markets	Esemplia (formerly 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 Growth	
Global Listed Infrastructure	Vanguard is the manager of this sector. The sector aims to deliver index returns.

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	~ Review underway. Will consider alternatives to current managers used in the core component. ~ Initial research has identified potential opportunities that would incorporate other investment approaches into the portfolio. ~ Consider manager allocations as part of this review.
June 07	Australian shares	UBS Asset Management placed On Watch	~ Assess impact of staff departures, including the Head of Australian Equities Paul Fiani.
Dec 07	Australian shares	Integrity appointed	~ UBS Asset Management has been removed and Integrity Investment Management has been appointed to the line up of Australian shares managers. ~ The decision to remove UBS was made following a review concluding we have insufficient confidence the new UBS team that can deliver the required excess returns in the future, following the departure of several key members of the investment team. ~ In light of the appointment of Integrity, we have adjusted the manager allocations within the Australian Equities sector to optimise the diversification benefits offered by the new mix of managers.
Feb 08	Australian shares	Investors Mutual placed "On Watch"	~ Following the departure of key investment team staff, the decision was made to place Investors Mutual "On Watch".
Apr 08	Alternative investments	Launch ipac Diversified Alpha Fund	~ 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: ▪ 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	~ 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	~ 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	~ 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	~ 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	~ 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"	~ Following the departure of key investment team staff, the decision was made to place Challenger "On Watch".
Mar 09	Australian Shares	Challenger terminated	~ Following its "On Watch" status, ipac has removed Challenger from the line up of Australian share managers for DIS 1, 2, 3 and 4.

Date	sector	change	rationale
			~ The decision was driven by ipac's concerns with 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.
April 09	All sectors	Strategic asset allocation (SAA) changes	ipac is enhancing the SAA of the DIS portfolios. The new asset mix will improve the expected risk-return profile of the Strategies to achieve their respective investment objectives. Following ipac's investment strategy review, the portfolios will incorporate increased diversification through additional sources of return and reflect medium-term capital market forecasts. Key changes initially being implemented include: ~ increased exposure to alternative investments ~ introduction of International Smaller Companies and Global Emerging Market Equities into DIS 1 ~ continued evolution of DIS 5. The enhancements will be phased in gradually, taking advantage of market opportunities and keeping market conditions in mind.
April 09	Australian listed property (A-REITs)	Restructure of the Australian property sector	ipac research identified an innovative approach that combined active and passive investment styles to addresses the skewness by market capitalisation of the sector, while still delivering active risk. This strategy seeks to capture active return more efficiently. The key improvements can be summarised as follows: ~ ipac's Australian listed property sector has been divided into two mandates - Enhanced Leaders (approximately 70%) and High Conviction (30%). ~ The Enhanced Leaders mandate, managed by Vanguard Investments Australia, uses an index approach to cost effectively manage a large portion of the seven largest trusts in the index. ~ The High Conviction mandate trades in the remaining exposure of the largest stocks and the other trusts in the index. The mandate allows opportunistic investment in offshore trusts. This mandate is managed by Perennial Real Estate Investments.
May 09	International Shares	Enhancements to the international shares sector of DIS 5	Approximately 20 per cent of the international shares sector of DIS 5 has been allocated to Grant Samuel Epoch Investment Partners' (Epoch) Global Equity Shareholder Yield Strategy. Epoch is an active manager that will play a defensive role within international shares, and is expected to be more resilient in falling markets. In addition to incumbent managers Bernstein Value, LSV and index managers Vanguard and BGI, ipac appointed GMO, Enhanced Investment

Date	sector	change	rationale
			Technologies, Arrowstreet and Alliance Growth to the international shares sector. Each bring their own source of return and value-add, serving to further diversify the sector.

current manager allocations

asset class	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	48.2	0.0
	PIMCO	51.8	100.0
Alternative Defensive	Prisma Global Multi-Strategy Fund	60.7	60.7
	BGI Multi-Opp Fund	33.4	33.4
	AllianceBernstein	5.9	5.9
Australian Property Sector	Enhanced Leaders Index	69.6	69.6
	Perennial	30.4	30.4
Global Property Sector	CBRE	33.7	53.5
	LaSalle	24.0	23.6
	Global Property Index	42.2	22.9
Australian Share Sector	BGI	28.7	0.0
	Integrity	6.9	0.0
	Schroders	23.3	0.0
	Maple-Brown Abbott	17.5	39.4
	Investors Mutual	0.0	28.1
	Wallara	17.8	0.0
	Bernstein Value	0.0	16.4
	MIR	5.8	16.0
International Share (Unhedged) Sector	Enhanced Investment Technologies	14.7	9.5
	Alliance	15.2	9.8
	Arrowstreet	10.2	6.6
	GMO	17.4	11.0
	Bernstein	18.4	11.7
	LSV	9.2	5.8
	Epoch	0.0	25.6
	International Shares Index	14.8	20.1
International Share (Hedged) Sector	Enhanced Investment Technologies	14.6	9.9
	Alliance	15.1	10.2
	Arrowstreet	10.1	6.9
	GMO	17.3	11.5
	Bernstein	18.3	12.2
	LSV	9.2	6.1
	Epoch	0.0	21.5
	International Shares Index	15.4	21.7
International Smaller Companies Sector	Arrowstreet	100.0	100.0
Global Emerging Markets Sector	Esemplia Emerging Markets	100.0	100.0
Alternative Growth	Listed Global Infrastructure	100.0	100.0

Notes:

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

Target % based on agreed allocation within each asset class.

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.

Totals may not add up to 100% due to the rounding of individual components.
During April 2009 ipac transitioned all Australian Property holdings into the Enhanced Leaders Index and Perennial (high conviction portfolio).

During May 2009 ipac re-structured the international shares sector of DIS 5, adding Epoch, GMO, Enhanced Investment Technologies, Arrowstreet and Alliance Growth to the sector.

current asset allocations

asset class	Div No 1 %	Div No 2 %	Div No 3 %	Div No 4 %	Div No 5 %
Australian Cash Sector	21.1%	3.6%	0.5%	1.5%	2.7%
Alternative Income Sector	19.8%	5.5%	3.7%	0.0%	9.1%
Australian Fixed Interest Sector	15.5%	8.0%	2.4%	0.0%	6.0%
International Fixed Interest Sector	11.6%	9.5%	4.5%	0.0%	6.0%
Alternative Defensive	0.4%	3.0%	5.0%	4.0%	22.6%
Defensive Assets	**68.5%**	**29.6%**	**16.1%**	**5.5%**	**46.5%**
Australian Property Sector	3.5%	3.7%	3.4%	3.5%	3.2%
Global Property Sector	3.9%	3.4%	4.0%	3.2%	4.1%
Australian Share Sector	13.3%	32.2%	37.3%	38.8%	24.4%
International Share (Unhedged) Sector	3.7%	11.1%	14.1%	17.9%	8.6%
International Share (Hedged) Sector	5.3%	13.3%	17.4%	21.9%	10.3%
International Smaller Companies Sector	0.5%	2.1%	3.2%	4.2%	0.5%
Global Emerging Markets Sector	0.5%	2.9%	2.8%	4.0%	1.4%
Alternative Growth	0.9%	1.8%	1.7%	1.0%	1.0%
Growth Assets	**31.5%**	**70.4%**	**83.9%**	**94.5%**	**53.5%**

Notes:

Actual asset allocation as at the end of the period.

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

top 10 holdings - Diversified Investment Strategies 1 - 4

	Australian Shares	% sector	International Shares	% sector
1	BHP BILLITON LTD	10.0%	EXXON MOBIL CORP	1.5%
2	WESTPAC BKG CORP	6.7%	JOHNSON +JOHNSON	1.1%
3	NATL AUSTRALIA BK	6.2%	BP PLC	0.9%
4	AUST +NZ BANK GRP	5.4%	WAL MART STORES INC	0.9%
5	CMNWLTH BK OF AUST	4.9%	VODAFONE GROUP	0.8%
6	TELSTRA CORP	4.4%	CHEVRON CORP	0.7%
7	WOOLWORTHS LTD	3.6%	GOLDMAN SACHS GROUP INC	0.7%
8	WESFARMERS	2.8%	CREDIT SUISSE GRP AG	0.6%
9	RIO TINTO LIMITED	2.1%	GLAXOSMITHKLINE	0.6%
10	WOODSIDE PETROLEUM	1.9%	PROCTER AND GAMBLE CO	0.6%

	Australian Property Securities	% sector	Global Property	% sector
1	WESTFIELD GROUP	45.1%	SIMON PPTY GROUP INC NEW	6.0%
2	STOCKLAND	15.7%	WESTFIELD GROUP	5.9%
3	DEXUS PROPERTY GP	8.0%	UNIBAIL RODAMCO	5.6%
4	GPT GROUP	7.3%	VORNADO RLTY TR	4.0%
5	CFS RETAIL PROP	6.3%	PUBLIC STORAGE	3.8%
6	MIRVAC GROUP	4.1%	AVALONBAY CMNTYS INC	3.0%
7	COMMONWEALTH PROPE	3.5%	BRITISH LAND CO	2.7%
8	GOODMAN GROUP	3.0%	BOSTON PPTYS INC	2.6%
9	ING OFFICE FUND	1.5%	STOCKLAND	2.4%
10	MACQUARIE OFFICE	1.3%	VENTAS INC	2.3%

top 10 holdings - Diversified Investment Strategy 5

	Australian Shares	% sector	International Shares	% sector
1	BHP BILLITON LTD	9.8%	EXXON MOBIL CORP	1.5%
2	WESTPAC BKG CORP	8.3%	JOHNSON +JOHNSON	1.2%
3	NATL AUSTRALIA BK	7.5%	BP PLC	1.0%
4	TELSTRA CORP	6.6%	VODAFONE GROUP	0.8%
5	AUST +NZ BANK GRP	5.9%	NESTLE SA	0.8%
6	CMNWLTH BK OF AUST	4.4%	CHEVRON CORP	0.8%
7	FOSTERS GROUP	2.6%	MICROSOFT CORP	0.8%
8	BRAMBLES LTD	2.0%	WAL MART STORES INC	0.8%
9	AMCOR LIMITED	2.0%	TELEFONICA SA	0.7%
10	TABCORP HLDGS LTD	2.0%	AT+T INC	0.6%

	Australian Property Securities	% sector	Global Property	% sector
1	WESTFIELD GROUP	45.1%	WESTFIELD GROUP	6.2%
2	STOCKLAND	15.7%	SIMON PPTY GROUP INC NEW	6.1%
3	DEXUS PROPERTY GP	8.0%	UNIBAIL RODAMCO	5.6%
4	GPT GROUP	7.3%	VORNADO RLTY TR	4.1%
5	CFS RETAIL PROP	6.3%	PUBLIC STORAGE	3.8%
6	MIRVAC GROUP	4.1%	BRITISH LAND CO	2.9%
7	COMMONWEALTH PROPE	3.5%	AVALONBAY CMNTYS INC	2.8%
8	GOODMAN GROUP	3.0%	BOSTON PPTYS INC	2.7%
9	ING OFFICE FUND	1.5%	STOCKLAND	2.7%
10	MACQUARIE OFFICE	1.3%	DIGITAL RLTY TR INC	2.4%

sector allocations vs benchmark -
Diversified Investment Strategies 1 - 4

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	6.4%	4.0%
CONSUMER STAPLES	9.8%	9.4%
ENERGY	6.5%	8.3%
FINANCIALS EXCLUDING PROPERTY TRUSTS	31.1%	31.0%
HEALTH CARE	4.8%	3.9%
INDUSTRIALS	7.3%	5.8%
INFORMATION TECHNOLOGY	1.0%	0.7%
LISTED PROPERTY TRUSTS	3.4%	5.9%
MATERIALS	23.4%	25.0%
TELECOMMUNICATION SERVICES	5.7%	4.5%
UTILITIES	0.7%	1.5%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Barclays Capital Global Aggregate Index
NORTH AMERICA	51.6%	55.3%	54.1%	42.1%
EUROPE (EXCLUDING UK)	21.4%	20.8%	28.5%	31.6%
UK	10.9%	10.4%	4.5%	5.3%
ASIA (EXCLUDING JAPAN)	2.3%	1.8%	0.0%	1.1%
JAPAN	11.1%	11.6%	10.5%	17.6%
OTHER	2.7%	0.0%	2.3%	0.7%
EMERGING MARKETS	0.0%	0.0%	0.0%	1.5%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	12.1%	9.5%
CONSUMER STAPLES	8.4%	10.4%
ENERGY	10.8%	11.6%
FINANCIALS INCLUDING PROPERTY TRUSTS	20.6%	18.9%
HEALTH CARE	11.9%	10.9%
INDUSTRIALS	11.4%	10.5%
INFORMATION TECHNOLOGY	12.5%	12.1%
MATERIALS	5.5%	6.1%
TELECOMMUNICATION SERVICES	4.1%	4.7%
UTILITIES	2.7%	5.2%

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%	23.9%
SEMI GOVERNMENT	6.7%	33.2%
CORPORATE / OTHER	93.3%	42.9%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Barclays Capital Global Aggregate Index
ASSET BACKED / OTHER	26.9%	19.4%
CORPORATE	37.3%	16.2%
GOVERNMENT	35.8%	64.5%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	6.3%	7.3%
DIVERSIFIED	36.8%	36.3%
HOTEL	0.0%	0.0%
INDUSTRIAL	3.0%	2.4%
RETAIL	53.3%	54.0%
OTHER	0.5%	0.0%

Global Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	53.4%	50.8%
EUROPE EXCLUDING UK	12.9%	13.2%
UK	9.2%	8.6%
JAPAN	5.8%	6.9%
ASIA EX JAPAN	18.6%	20.5%
OTHER	0.2%	0.0%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	23.9%	21.8%
ASIA EX JAPAN	53.2%	57.3%
EUROPE / MIDDLE EAST / AFRICA/OTHER	22.9%	20.9%

Note:

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

sector allocations vs benchmark –
Diversified Investment Strategy 5

Australian Shares – portfolio vs benchmark (by sector)

sector	% allocation	% S&P/ASX 300
CONSUMER DISCRETIONARY	11.1%	4.0%
CONSUMER STAPLES	8.8%	9.4%
ENERGY	5.0%	8.3%
FINANCIALS EXCLUDING PROPERTY TRUSTS	32.7%	31.0%
HEALTH CARE	2.9%	3.9%
INDUSTRIALS	7.9%	5.8%
INFORMATION TECHNOLOGY	0.7%	0.7%
LISTED PROPERTY TRUSTS	3.1%	5.9%
MATERIALS	18.0%	25.0%
TELECOMMUNICATION SERVICES	8.9%	4.5%
UTILITIES	1.0%	1.5%

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

	International Shares		International Fixed Interest	
	% allocation	% MSCI	% allocation	% Barclays Capital Global Aggregate Index
NORTH AMERICA	53.2%	55.3%	58.9%	42.1%
EUROPE (EXCLUDING UK)	21.8%	20.8%	26.0%	31.6%
UK	11.3%	10.4%	3.2%	5.3%
ASIA (EXCLUDING JAPAN)	2.0%	1.8%	0.0%	1.1%
JAPAN	9.3%	11.6%	9.2%	17.6%
OTHER	2.4%	0.0%	2.7%	0.7%
EMERGING MARKETS	0.0%	0.0%	0.0%	1.5%

International Shares – portfolio vs benchmark (by sector)

sector	% allocation	% MSCI
CONSUMER DISCRETIONARY	10.4%	9.5%
CONSUMER STAPLES	10.0%	10.4%
ENERGY	10.9%	11.6%
FINANCIALS	19.9%	18.9%
HEALTH CARE	11.0%	10.9%
INDUSTRIALS	10.9%	10.5%
INFORMATION TECHNOLOGY	10.8%	12.1%
MATERIALS	5.5%	6.1%
TELECOMMUNICATION SERVICES	5.6%	4.7%
UTILITIES	5.0%	5.2%

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	28.3%	23.9%
SEMI GOVERNMENT	28.5%	33.2%
CORPORATE / OTHER	43.2%	42.9%

International Fixed Interest – portfolio vs benchmark (by sector)

sector	% allocation	% Barclays Capital Global Aggregate Index
ASSET BACKED / OTHER	30.7%	19.4%
CORPORATE	40.0%	16.2%
GOVERNMENT	29.3%	64.5%

Australian Property Securities - portfolio vs benchmark

	% allocation	% S&P/ASX 300 A-REIT Index
COMMERCIAL	6.3%	7.3%
DIVERSIFIED	36.8%	36.3%
HOTEL	0.0%	0.0%
INDUSTRIAL	3.0%	2.4%
RETAIL	53.3%	54.0%
OTHER	0.5%	0.0%

Global Property Securities - portfolio vs benchmark

	% allocation	% UBS Global Property Investors Index
NORTH AMERICA	53.5%	50.8%
EUROPE (EXCLUDING UK)	12.6%	13.2%
UK	9.4%	8.6%
JAPAN	5.4%	6.9%
ASIA (EXCLUDING JAPAN)	18.9%	20.5%
OTHER	0.1%	0.0%

Global Emerging Markets - portfolio vs benchmark

	% allocation	% MSCI EM Index
LATIN AMERICA	23.9%	21.8%
ASIA EX JAPAN	53.2%	57.3%
EUROPE / MIDDLE EAST / AFRICA/OTHER	22.9%	20.9%

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. 1	30-Jun-09	-6.89%	-9.84%	2.95%
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. 2	30-Jun-09	-15.69%	-18.11%	2.43%
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. 3	30-Jun-09	-17.98%	-20.15%	2.17%
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. 4	30-Jun-09	-22.49%	-24.29%	1.80%
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%
Diversified Investment Strategy No. 5	30-Jun-09	-17.35%	-19.57%	2.22%