



## portfolio watch

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



March 2010

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

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## strategy performance (gross)

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|                                      | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|--------------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Diversified Investment Strategy No 1 | 2.8         | 5.3         | 14.9         | 22.9         | 3.3           | 2.3           | 5.8           |
| Diversified Investment Strategy No 2 | 2.4         | 5.7         | 20.6         | 31.9         | -0.2          | -2.0          | 5.6           |
| Diversified Investment Strategy No 3 | 2.5         | 6.1         | 22.9         | 35.9         | -0.9          | -3.1          | 5.4           |
| Diversified Investment Strategy No 4 | 2.4         | 6.4         | 23.9         | 38.3         | -3.6          | -5.7          | 4.5           |
| Diversified Investment Strategy No 5 | 2.7         | 6.0         | 19.0         | 29.4         | -1.3          | -2.8          | n/a           |

**Notes:**

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

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

## sector & market performance (gross of all fees)

|   | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| <b>Australian Cash</b>                                  | <b>1.4</b>  | <b>2.8</b>  | <b>4.3</b>   | <b>6.1</b>   | <b>4.7</b>    | <b>5.0</b>    | <b>5.4</b>    |
| <b>Australian Cash - Strategy 5</b>                     | <b>1.4</b>  | <b>2.8</b>  | <b>4.3</b>   | <b>6.1</b>   | <b>4.7</b>    | <b>5.0</b>    | <b>n/a</b>    |
| <i>UBSA Bank Bill Index</i>                             | 1.0         | 1.9         | 2.7          | 3.5          | 5.1           | 5.7           | 5.8           |
| <b>Alternative Income</b>                               | <b>4.1</b>  | <b>7.0</b>  | <b>15.7</b>  | <b>27.7</b>  | <b>5.7</b>    | <b>6.0</b>    | <b>n/a</b>    |
| <b>Alternative Income - Strategy 5</b>                  | <b>4.1</b>  | <b>7.0</b>  | <b>15.7</b>  | <b>27.7</b>  | <b>5.7</b>    | <b>6.0</b>    | <b>n/a</b>    |
| <i>UBSA Bank Bill Index</i>                             | 1.0         | 1.9         | 2.7          | 3.5          | 5.1           | 5.7           | 5.8           |
| <b>Australian Fixed Interest</b>                        | <b>1.8</b>  | <b>3.5</b>  | <b>6.8</b>   | <b>7.0</b>   | <b>9.7</b>    | <b>7.4</b>    | <b>6.6</b>    |
| <b>Australian Fixed Interest - Strategy 5</b>           | <b>1.8</b>  | <b>3.5</b>  | <b>6.3</b>   | <b>5.0</b>   | <b>8.9</b>    | <b>7.3</b>    | <b>n/a</b>    |
| <i>UBSA Composite Bond Index</i>                        | 1.3         | 2.3         | 4.1          | 2.7          | 7.6           | 6.5           | 6.0           |
| <b>Global Fixed Interest</b>                            | <b>4.0</b>  | <b>5.4</b>  | <b>11.7</b>  | <b>16.5</b>  | <b>8.5</b>    | <b>8.1</b>    | <b>7.1</b>    |
| <b>Global Fixed Interest - Strategy 5</b>               | <b>4.6</b>  | <b>6.2</b>  | <b>13.6</b>  | <b>19.3</b>  | <b>10.2</b>   | <b>9.6</b>    | <b>n/a</b>    |
| <i>Barclays Capital Global Aggregate (Hedged) Index</i> | 2.7         | 3.8         | 7.9          | 10.2         | 8.6           | 8.4           | 7.3           |
| <b>Alternative Defensive</b>                            | <b>3.0</b>  | <b>6.7</b>  | <b>12.8</b>  | <b>17.3</b>  | <b>5.0</b>    | <b>7.2</b>    | <b>n/a</b>    |
| <b>Alternative Defensive - Strategy 5</b>               | <b>3.0</b>  | <b>6.7</b>  | <b>12.8</b>  | <b>17.3</b>  | <b>5.0</b>    | <b>5.1</b>    | <b>n/a</b>    |
| <i>UBSA Bank Bill Index</i>                             | 1.0         | 1.9         | 2.7          | 3.5          | 5.1           | 5.7           | 5.8           |
| <b>Australian Listed Property</b>                       | <b>-1.1</b> | <b>-5.8</b> | <b>23.4</b>  | <b>42.1</b>  | <b>-25.5</b>  | <b>-26.4</b>  | <b>-9.4</b>   |
| <b>Australian Listed Property - Strategy 5</b>          | <b>-1.1</b> | <b>-5.8</b> | <b>23.4</b>  | <b>41.3</b>  | <b>-23.4</b>  | <b>-24.3</b>  | <b>n/a</b>    |
| <i>S&amp;P/ASX 300 A-REIT Index</i>                     | -1.6        | -6.5        | 22.2         | 42.0         | -22.8         | -23.3         | -7.2          |
| <b>Global Listed Property</b>                           | <b>6.2</b>  | <b>12.2</b> | <b>43.8</b>  | <b>78.7</b>  | <b>-13.5</b>  | <b>-16.2</b>  | <b>n/a</b>    |
| <b>Global Listed Property - Strategy 5</b>              | <b>6.2</b>  | <b>12.5</b> | <b>42.5</b>  | <b>77.4</b>  | <b>-13.5</b>  | <b>-16.2</b>  | <b>n/a</b>    |
| <i>UBS Global Investors Index in AUD Hedged Net Div</i> | 6.5         | 11.9        | 46.1         | 79.7         | -13.0         | -16.0         | n/a           |
| <b>Australian Shares</b>                                | <b>1.3</b>  | <b>4.6</b>  | <b>28.1</b>  | <b>42.9</b>  | <b>0.8</b>    | <b>-2.1</b>   | <b>8.4</b>    |
| <b>Australian Shares - Strategy 5</b>                   | <b>1.2</b>  | <b>4.0</b>  | <b>26.3</b>  | <b>39.2</b>  | <b>0.9</b>    | <b>-2.2</b>   | <b>n/a</b>    |
| <i>S&amp;P/ASX 300 Accum Index</i>                      | 1.3         | 4.7         | 27.3         | 41.9         | -0.2          | -2.6          | 8.0           |
| <b>International Shares (Unhedged)</b>                  | <b>0.5</b>  | <b>3.6</b>  | <b>11.1</b>  | <b>14.6</b>  | <b>-8.5</b>   | <b>-10.4</b>  | <b>-0.8</b>   |
| <b>International Shares (Unhedged) - Strategy 5</b>     | <b>0.2</b>  | <b>3.6</b>  | <b>9.9</b>   | <b>17.2</b>  | <b>n/a</b>    | <b>n/a</b>    | <b>n/a</b>    |
| <i>MSCI World Ex Australia (\$A Unhedged) Index</i>     | 1.1         | 3.2         | 10.5         | 14.5         | -7.0          | -9.6          | -0.8          |
| <b>International Shares (Hedged)</b>                    | <b>5.0</b>  | <b>11.6</b> | <b>28.5</b>  | <b>48.3</b>  | <b>-6.2</b>   | <b>-6.7</b>   | <b>3.1</b>    |
| <b>International Shares (Hedged) - Strategy 5</b>       | <b>4.8</b>  | <b>11.7</b> | <b>27.6</b>  | <b>54.7</b>  | <b>-7.5</b>   | <b>-8.9</b>   | <b>n/a</b>    |
| <i>MSCI World Ex Australia (\$A Hedged) Index</i>       | 5.5         | 11.2        | 28.0         | 49.1         | -4.4          | -5.6          | 3.5           |
| <b>Global Smaller Companies</b>                         | <b>6.1</b>  | <b>5.7</b>  | <b>19.7</b>  | <b>51.2</b>  | <b>3.6</b>    | <b>-7.1</b>   | <b>n/a</b>    |
| <b>Global Smaller Companies - Strategy 5</b>            | <b>6.1</b>  | <b>5.7</b>  | <b>19.7</b>  | <b>n/a</b>   | <b>n/a</b>    | <b>n/a</b>    | <b>n/a</b>    |
| <i>Global Smaller Co. Customised Index</i>              | 5.4         | 6.4         | 16.3         | 29.2         | -4.6          | -10.6         | -0.1          |

|   | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| <b>Global Emerging Markets</b>              | <b>-0.2</b> | <b>6.5</b>  | <b>21.1</b>  | <b>47.9</b>  | <b>-4.4</b>   | <b>-0.2</b>   | <b>10.9</b>   |
| <b>Global Emerging Markets - Strategy 5</b> | <b>-0.2</b> | <b>6.5</b>  | <b>21.1</b>  | <b>n/a</b>   | <b>n/a</b>    | <b>n/a</b>    | <b>n/a</b>    |
| <i>MSCI EM in \$A (div reinvested)</i>      | <i>0.3</i>  | <i>6.9</i>  | <i>18.4</i>  | <i>37.1</i>  | <i>-2.4</i>   | <i>0.8</i>    | <i>11.8</i>   |
| <b>Alternative Growth</b>                   | <b>3.1</b>  | <b>9.6</b>  | <b>17.8</b>  | <b>n/a</b>   | <b>n/a</b>    | <b>n/a</b>    | <b>n/a</b>    |
| <b>Alternative Growth - Strategy 5</b>      | <b>3.1</b>  | <b>9.4</b>  | <b>17.8</b>  | <b>n/a</b>   | <b>n/a</b>    | <b>n/a</b>    | <b>n/a</b>    |

**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.

# investment environment

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## **Portfolio performance for the quarter**

Investor sentiment continued to improve during the first quarter of 2010 in response to an increasingly constructive outlook for global economic activity. Against this backdrop, the market rewarded companies with medium term prospects for above average cash flow. ipac's portfolios were well positioned for these conditions and the majority of portfolios outperformed their benchmarks for the quarter.

## **The way ahead**

Last quarter we said the global financial crisis had passed, and that economies were transitioning to a more 'normal' environment. This view is generally accepted by investors. The debate in markets is now centred on the meaning of the word 'normal' in a post-crisis world.

Our view is that over the next five years economies are likely to deliver more moderate growth than the experience of 2002 to 2007. We are seeing a short term bounce in many economies, and the potential exists for some regions, such as emerging Asia, to grow robustly for a number of years. However, we do believe that the combination of a cautious banking system and a stressed household sector in a number of the major developed economies will crimp overall global activity for a number of years.

The public sector in many countries has limited flexibility to sustain growth any further. The fiscal stimulus introduced in response to the GFC has, in effect, borrowed from future growth and contributed to a rapid deterioration in public sector deficits. Bond market investors who fund these deficits are now demanding that governments in advanced economies commit to credible policies to stabilise public sector debt over the medium term.

While the outlook for many advanced economies might be somewhat challenging, ipac believes that investment markets offer solid return prospects from current price levels. However, with growth opportunities more scarce it does mean that the sources of the best opportunities are changing. ipac is responding by adding alternative investments that provide similar returns to traditional growth assets but also enhance overall portfolio diversification by being exposed to different economic drivers. Within the equity portfolios, three themes our managers are pursuing are:

- quality companies that dominate their sector and can take market share from their weaker competitors
- companies with high sales penetration in emerging economies
- companies that can deliver high dividend levels to their shareholders on a sustainable basis.

# market returns

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## **Australian cash**

**UBSA 90 Day Bank Bill Index: 3 month: 1.0%; 12 month: 3.5%**

The Reserve Bank of Australia (RBA) increased rates on one occasion in the first quarter – up 0.25% to 4.0%.

## **Australian fixed interest**

**UBSA Composite Bond Index: 3 month: 1.3%; 12 month: 2.7%**

The Australian fixed interest market made reasonable gains over the quarter. The yield curve flattened at the short end as the RBA tightened policy. Credit spreads continued to tighten.

## **global fixed interest**

**Barclays Capital Global Aggregate (hedged \$A) Index: 3 month: 2.7%; 12 month: 10.2%**

The global fixed interest market performed well. Yields on US government bonds fell, and European bond markets performed strongly. In corporate bond markets spreads tightened.

## **Australian listed property**

**S&P/ASX 300 A-REIT Index: 3 month: -1.6%; 12 month: 42.0%**

Valuations are fair on a net asset value basis for Australian listed property. However, the market is still working its way through the wave of recent consolidation and uncertainty over the environment for leasing.

## **global listed property**

**UBS Global Investors Index (hedged): 3 month: 6.5%; 12 month: 79.7%**

Global listed property had a strong quarter. The US led the way benefiting from signs of an improvement in economic activity. Japan was also strong, while Europe was weak.

## **Australian shares**

**S&P/ASX 300 Accumulation Index: 3 month: 1.3%; 12 month: 41.9%**

The Australian share market made modest gains over the first quarter. Performance across industry sectors and stocks was mixed as investors focused on stock specifics.

## **international shares**

**MSCI World ex-Australia Index (\$A hedged): 3 month: 5.5%; 12 month: 49.1%**

**MSCI World ex-Australia Index (\$A unhedged): 3 month: 1.1%; 12 month: 14.5%**

Within individual markets the US delivered firm returns, up 4.9%, and the European market was up 3.0%. Japan was one of the strongest of the major markets, up 7.7%.

## **global smaller companies**

**MSCI World Small Cap Index (\$A unhedged): 3 month: 5.4%; 12 month: 29.2%**

Global smaller companies outperformed larger companies over the quarter on a local currency basis. This reflected the continued increase in investor risk appetite following signs of improvement in the US economy.

## **global emerging markets**

**MSCI EM Index in \$A: 3 month: 0.3%; 12 month: 37.1%**

Global emerging markets were held back by flat performance in Asia. Returns were negative in China with the market down 1.4%. Investors were concerned that China's economy may lose momentum and undermine the global recovery.

# diversified portfolio performance (gross)

## Diversified Investment Strategy No. 1

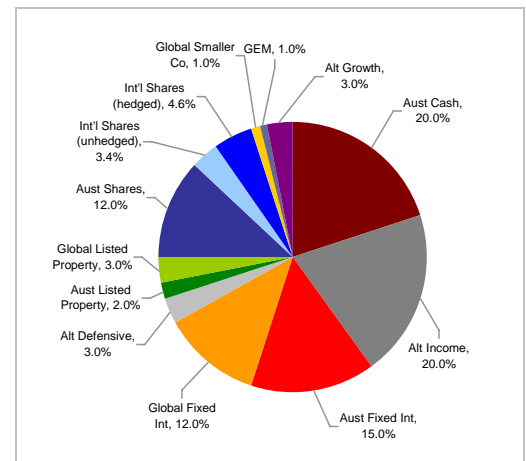
|                                   | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|-----------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Diversified Investment Strategy 1 | 2.8         | 5.3         | 14.9         | 22.9         | 3.3           | 2.3           | 5.8           |
| Benchmark                         | 1.7         | 3.4         | 10.0         | 14.4         | 2.6           | 2.0           | 5.5           |

### 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. Current asset allocations are provided later in this document.

### return drivers this period

- ~ The portfolio delivered good returns for the March quarter. Defensive sectors delivered strong positive returns and value was added by most managers. In particular, investments in alternative income and global fixed interest were particularly beneficial for performance, as these sectors delivered in excess of 4% for the March quarter. In the growth sectors, the market performance was mixed, with international shares (hedged) being the standout positive performer. Most sectors overall within the portfolio also outperformed their respective benchmarks during the period.



### performance this period

- ~ The Australian cash sector outperformed the benchmark for the quarter. The sector managed by Macquarie aims to replicate the UBS Bank Bill Index. Over the short term, however, the sector has retained a tilt towards corporate and securitised debt.
- ~ The alternative income sector continued to outperform the benchmark in the first quarter. Exposure to corporate debt continued to benefit the sector as spreads narrowed further during the period.
- ~ The Australian fixed interest sector outperformed the benchmark. Security selection in government bonds was positive for performance, where the manager displayed a preference for longer dated semi government debt. Global fixed interest outperformed its benchmark. The sector's exposure to corporate debt helped performance, particularly an exposure to bank paper and investment grade corporate debt.
- ~ Australian shares performed broadly in line with the benchmark for the quarter. Individual stock positions drove relative performance, in line with our expectations given the sector's recent restructure. The sector's underweight positions in Energy, Gold and A-REITs added value at the margin.
- ~ International shares underperformed its benchmark for the quarter. An overweight exposure to Utilities and Energy stocks detracted from performance, as did an underweight exposure to Industrials and Consumer Discretionary stocks. The sector retains its quality bias.
- ~ Australian listed property outperformed its benchmark. The best performers were those stocks seen to be more defensive, with strong balance sheets and good quality property portfolios. Global listed property underperformed its benchmark. Security selection drove relative performance.

## Diversified Investment Strategy No. 2

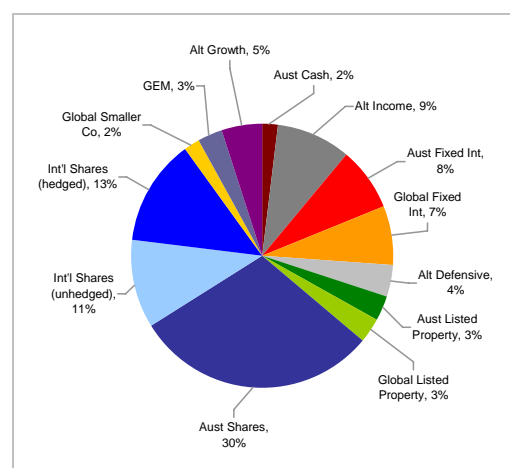
|                                   | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|-----------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Diversified Investment Strategy 2 | 2.4         | 5.7         | 20.6         | 31.9         | -0.2          | -2.0          | 5.6           |
| Benchmark                         | 2.1         | 4.8         | 17.5         | 27.3         | -1.0          | -2.4          | 5.1           |

### 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. Current asset allocations are provided later in this document.

### return drivers this period

- ~ The portfolio continued to deliver positive returns in the first quarter. Exposure to international shares (hedged) and global smaller companies proved beneficial for performance. Within the defensive exposure, the investments in alternative income and global fixed interest were also positive for performance, as these sectors delivered in excess of 4% for the March quarter. The majority of sectors within the portfolio outperformed their respective benchmarks during the period.



### performance this period

- ~ Australian shares performed broadly in line with the benchmark for the quarter. Individual stock positions drove relative performance, in line with our expectations given the sector's recent restructure. The sector's underweight positions in Energy, Gold and A-REITs added value at the margin.
- ~ International shares underperformed its benchmark for the quarter. An overweight exposure to Utilities and Energy stocks detracted from performance, as did an underweight exposure to Industrials and Consumer Discretionary stocks. The sector retains its quality bias.
- ~ The alternative income sector continued to outperform the benchmark in the first quarter. Exposure to corporate debt continued to benefit the sector as spreads narrowed further during the period.
- ~ The Australian fixed interest sector outperformed the benchmark. Security selection in government bonds was positive for performance, where the manager displayed a preference for longer dated semi government debt. Global fixed interest outperformed its benchmark. The sector's exposure to corporate debt helped performance, particularly an exposure to bank paper and investment grade corporate debt.
- ~ Australian listed property outperformed its benchmark. The best performers were those stocks seen to be more defensive, with strong balance sheets and good quality property portfolios.
- ~ Global listed property underperformed its benchmark. Security selection drove relative performance.
- ~ In the alternative defensive sector hedge funds continued to perform well as market and liquidity conditions improved.
- ~ The global emerging markets sector lagged its benchmark. Stock selection was the cause of the underperformance. In global smaller companies, the sector outperformed its benchmark. Positions in Consumer Discretionary, Information Technology and Materials were particularly beneficial to performance.

## Diversified Investment Strategy No. 3

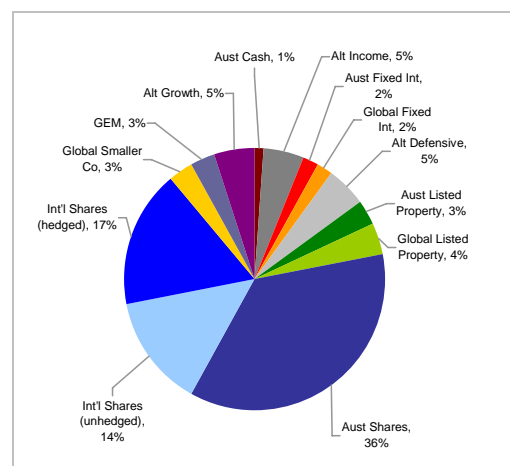
|                                   | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|-----------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Diversified Investment Strategy 3 | 2.5         | 6.1         | 22.9         | 35.9         | -0.9          | -3.1          | 5.4           |
| Benchmark                         | 2.2         | 5.2         | 20.4         | 32.5         | -1.4          | -3.2          | 5.1           |

### 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. Current asset allocations are provided later in this document.

### return drivers this period

- ~ While Australian shares and international shares (unhedged) made little headway over the quarter, the portfolio's exposure to international shares (hedged) proved beneficial for performance. This sector performed well due to a strengthening Australian Dollar. The portfolio also benefited from an exposure to global property and alternative investments, which continued to benefit from favourable market conditions for hedge fund strategies.



### performance this period

- ~ Australian shares performed broadly in line with the benchmark for the quarter. Individual stock positions drove relative performance, in line with our expectations given the sector's recent restructure. The sector's underweight positions in Energy, Gold and A-REITs added value at the margin.
- ~ International shares underperformed its benchmark for the quarter. An overweight exposure to Utilities and Energy stocks detracted from performance, as did an underweight exposure to Industrials and Consumer Discretionary stocks. The sector retains its quality bias.
- ~ The alternative income sector continued to outperform the benchmark in the first quarter. Exposure to corporate debt continued to benefit the sector as spreads narrowed further during the period.
- ~ Australian listed property outperformed its benchmark. The best performers were those stocks seen to be more defensive, with strong balance sheets and good quality property portfolios. Global listed property underperformed its benchmark. Security selection drove relative performance.
- ~ In the alternative defensive sector hedge funds continued to perform well as market and liquidity conditions improved.
- ~ The global emerging markets sector lagged its benchmark. Stock selection was the cause of the underperformance. In global smaller companies, the sector outperformed its benchmark. Positions in Consumer Discretionary, Information Technology and Materials were particularly beneficial to performance.
- ~ The Australian fixed interest sector outperformed the benchmark. Security selection in government bonds was positive for performance, where the manager displayed a preference for longer dated semi government debt. Global fixed interest outperformed its benchmark. The sector's exposure to corporate debt helped performance, particularly an exposure to bank paper and investment grade corporate debt.
- ~ In alternative growth recent opportunistic investments in infrastructure and mortgage backed securities have performed strongly as liquidity returns to markets.

## Diversified Investment Strategy No. 4

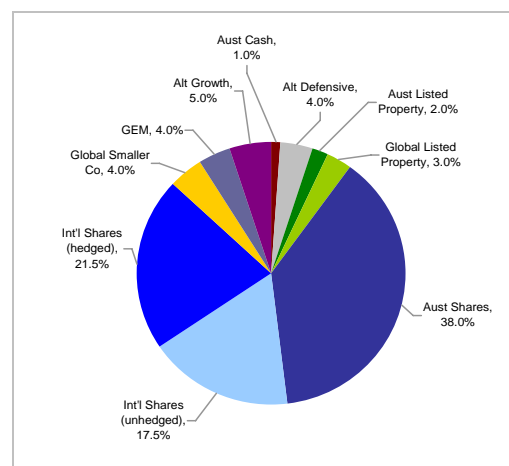
|                                   | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|-----------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Diversified Investment Strategy 4 | 2.4         | 6.4         | 23.9         | 38.3         | -3.6          | -5.7          | 4.5           |
| Benchmark                         | 2.4         | 5.8         | 21.8         | 35.2         | -3.7          | -5.5          | 4.3           |

### Note:

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

### return drivers this period

- ~ The portfolio benefited from its exposure to international shares (hedged). This sector performed well due to a strengthening Australian Dollar. An investment in global smaller companies was also beneficial for absolute returns in the March quarter. Alternative investments, which continued to benefit from favourable market conditions for hedge fund strategies, also helped absolute performance.



### performance this period

- ~ Australian shares performed broadly in line with the benchmark for the quarter. Individual stock positions drove relative performance, in line with our expectations given the sector's recent restructure. The sector's underweight positions in Energy, Gold and A-REITs added value at the margin.
- ~ International shares underperformed its benchmark for the quarter. An overweight exposure to Utilities and Energy stocks detracted from performance, as did an underweight exposure to Industrials and Consumer Discretionary stocks. The sector retains its quality bias.
- ~ The global emerging markets sector lagged its benchmark. Stock selection was the cause of the underperformance. In global smaller companies, the sector outperformed its benchmark. Positions in Consumer Discretionary, Information Technology and Materials were particularly beneficial to performance.
- ~ In the alternative defensive sector hedge funds continued to perform well as market and liquidity conditions improved.
- ~ Australian listed property outperformed its benchmark. The best performers were those stocks seen to be more defensive, with strong balance sheets and good quality property portfolios.
- ~ Global listed property underperformed its benchmark. Security selection drove relative performance.
- ~ In alternative growth recent opportunistic investments in infrastructure and mortgage backed securities have performed strongly as liquidity returns to markets.

## Diversified Investment Strategy No. 5

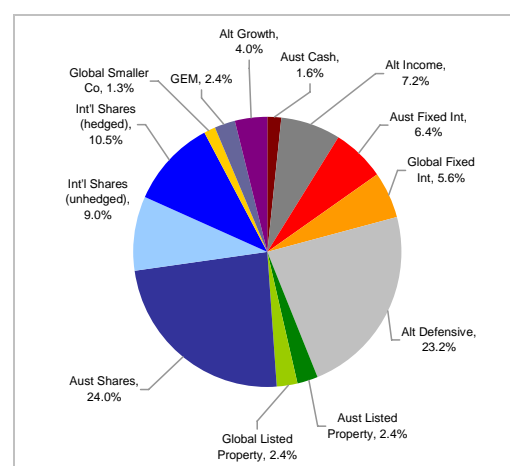
|                                   | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|-----------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Diversified Investment Strategy 5 | 2.7         | 6.0         | 19.0         | 29.4         | -1.3          | -2.8          | n/a           |
| Benchmark                         | 1.9         | 4.2         | 14.5         | 22.2         | -1.7          | -2.6          | n/a           |

### 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. Current asset allocations are provided later in this document.

### return drivers this period

- ~ The portfolio continued to benefit from its exposure to alternative investments. Alternative income did particularly well, delivering in excess of 4% for the March quarter. Alternative defensive and growth sectors also performed well as liquidity returned to the market. The portfolio's exposure to international shares (hedged) also added value to performance. This sector benefited from a strengthening Australian Dollar.



### performance this period

- ~ Australian shares performed broadly in line with the benchmark for the quarter. Individual stock positions drove relative performance, in line with our expectations given the sector's recent restructure. The sector's underweight positions in Energy, Gold and A-REITs added value at the margin.
- ~ International shares underperformed its benchmark for the quarter. An overweight exposure to Utilities and Energy stocks detracted from performance, as did an underweight exposure to Industrials and Consumer Discretionary stocks. The sector retains its quality bias.
- ~ In the alternative defensive sector hedge funds continued to perform well as market and liquidity conditions improved.
- ~ The Australian fixed interest sector performed in line with the benchmark for the quarter. The manager for this sector aims to replicate the benchmark return.
- ~ Global fixed interest outperformed its benchmark. The sector's exposure to corporate debt helped performance, particularly an exposure to bank paper.
- ~ The alternative income sector continued to outperform the benchmark in the first quarter. Exposure to corporate debt continued to benefit the sector as spreads narrowed further during the period.
- ~ Australian listed property outperformed its benchmark. The best performers were those stocks seen to be more defensive, with strong balance sheets and good quality property portfolios. Global listed property underperformed its benchmark. Security selection drove relative performance.
- ~ The global emerging markets sector lagged its benchmark. Stock selection was the cause of the underperformance. In global smaller companies, the sector outperformed its benchmark. Positions in Consumer Discretionary, Information Technology and Materials were particularly beneficial to performance.
- ~ In alternative growth recent opportunistic investments in infrastructure and mortgage backed securities have performed strongly as liquidity returns to markets.

# 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<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | 1.4         | 2.8         | 4.3          | 6.1          | 4.7           | 5.0           | 5.4           |
| Sector - Strategy 5 | 1.4         | 2.8         | 4.3          | 6.1          | 4.7           | 5.0           | n/a           |
| Macquarie           | 1.4         | 2.7         | n/a          | n/a          | n/a           | n/a           | n/a           |
| Benchmark           | 1.0         | 1.9         | 2.7          | 3.5          | 5.1           | 5.7           | 5.8           |

**Note:**

Benchmark = UBSA Bank Bill Index.

### market commentary

**UBSA 90 Day Bank Bill Index: 3 month: 1.0%; 12 month: 3.5%**

The Reserve Bank of Australia (RBA) kept rates on hold at 3.75% in February against the backdrop of unsettled global conditions. At its meeting in March, however, the RBA raised the cash rate by 0.25% to 4.0%. The Bank noted that economic conditions in 2009 were stronger than expected. At its most recent meeting in early April, the RBA took a further step in this process, increasing rates another 0.25% to 4.25%.

### sector commentary

The sector outperformed the benchmark for the quarter. The sector managed by Macquarie aims to replicate the UBS Bank Bill Index. In the medium term, the sector is expected to closely resemble the risk and liquidity exposures of the index, however, over the short term the sector has retained a tilt towards corporate and securitised debt. This was a position already in place when the mandate moved to Macquarie. The tilt to corporate debt contributed to outperformance of the index for the quarter, as did an exposure to quality retail mortgage backed securities.

## Alternative Income

|                     | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | 4.1         | 7.0         | 15.7         | 27.7         | 5.7           | 6.0           | n/a           |
| Sector - Strategy 5 | 4.1         | 7.0         | 15.7         | 27.7         | 5.7           | 6.0           | n/a           |
| PIMCO               | 4.1         | 7.0         | 15.7         | 27.7         | 5.7           | 6.0           | n/a           |
| Benchmark           | 1.0         | 1.9         | 2.7          | 3.5          | 5.1           | 5.7           | 5.8           |

### Notes:

Benchmark = UBSA Bank Bill Index.

### sector commentary

Alternative income invests in traditional cash and fixed interest, across a basket of global securities. The key differentiator of these strategies is their low aggregate duration (less than one year). The inclusion of alternative income further diversifies the defensive component of diversified portfolios.

The sector continued to outperform the index in the first quarter. Exposure to corporate debt continued to benefit the sector as spreads narrowed further during the period. Significant outperformance was delivered by the sector to the diversified portfolios.

Relative performance during the period was also positively impacted by yield curve positions. The sector's curve positioning in Europe and the US was positive for performance, as was its underweight position in the long end of the UK yield curve.

## Australian Fixed Interest

|                     | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | 1.8         | 3.5         | 6.8          | 7.0          | 9.7           | 7.4           | 6.6           |
| Sector - Strategy 5 | 1.8         | 3.5         | 6.3          | 5.0          | 8.9           | 7.3           | n/a           |
| Macquarie           | 1.4         | 3.1         | n/a          | n/a          | n/a           | n/a           | n/a           |
| Benchmark           | 1.3         | 2.3         | 4.1          | 2.7          | 7.6           | 6.5           | 6.0           |

### Notes:

Benchmark = UBSA Composite Bond All Maturities Index.

### market commentary

**UBSA Composite Bond Index: 3 month: 1.3%; 12 month: 2.7%**

The Australian fixed interest market made reasonable gains over the quarter. The government bond yield curve flattened at the short end as the Reserve Bank of Australia tightened policy. The yield on the two year government bond rose from 4.40% to 4.99%, and the yield on the 10 year bond rose 14 basis points from 5.64% to 5.78%.

In corporate bond markets credit spreads continued to tighten reflecting improved corporate fundamentals and continued strong appetite for yield by investors.

### sector commentary

The sector outperformed the benchmark in the first quarter. Security selection in government bonds was positive for performance, where the manager displayed a preference for longer dated semi government debt. The sector's tilt towards corporate debt also provided a boost to returns, and security selection in corporate debt, particularly exposure to banks and diversified financials, was also positive. Duration positioning within the sector was a modest detractor from performance during the period.

## Global Fixed Interest

|                     | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | 4.0         | 5.4         | 11.7         | 16.5         | 8.5           | 8.1           | 7.1           |
| Sector - Strategy 5 | 4.6         | 6.2         | 13.6         | 19.3         | 10.2          | 9.6           | n/a           |
| BlackRock           | 3.0         | 4.2         | 9.3          | 12.9         | 6.8           | 6.6           | 6.2           |
| PIMCO               | 4.2         | 5.8         | 13.1         | 18.8         | 10.2          | 9.6           | 8.0           |
| Benchmark           | 2.7         | 3.8         | 7.9          | 10.2         | 8.6           | 8.4           | 7.3           |

**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: 2.7%; 12 month: 10.2%**

The global fixed interest market performed well in the first quarter. Earlier in the period, government bond yields generally drifted lower, benefiting from a rise in risk aversion as the market grew concerned over Greece's ability to finance itself. This prompted concerns about sovereign bond default by Greece and a potential bailout by the European Union.

In government bonds, US yields were flat to marginally lower for the quarter. The yield on the two year government bond fell from 1.14% to 1.02%. The yield on the 10 year bond fell from 3.84% to 3.83%. Signs of firming US economic activity, the impact of sovereign risk concerns in Europe, and rating agencies' continued warning about unsustainable fiscal deficits were behind the movement in yields. European bond markets performed strongly, and in the UK, long dated rates remained anchored, while short dated rates fell.

In corporate bond markets credit spreads tightened reflecting an improved appetite for risk among investors. The spread between investment grade corporate and swaps narrowed from 190 basis points to 161 basis points.

### sector commentary

The sector outperformed the benchmark for the quarter. The sector's exposure to corporate debt helped performance during the period, particularly an exposure to bank paper and investment grade corporate debt. Duration positions in Europe were also positive for performance, and an underweight duration position in the UK also helped returns.

### sector commentary (Strategy 5)

The sector outperformed the benchmark for the quarter. The sector's exposure to corporate debt helped performance during the period, particularly an exposure to bank paper. Duration positions in Europe were also positive for performance, and an underweight duration position in the UK also helped returns.

## Alternative Defensive

|                       | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|-----------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector                | 3.0         | 6.7         | 12.8         | 17.3         | 5.0           | 7.2           | n/a           |
| Sector - Strategy 5   | 3.0         | 6.7         | 12.8         | 17.3         | 5.0           | 5.1           | n/a           |
| Alternative Defensive | 3.0         | 6.7         | 12.8         | 17.3         | 5.0           | n/a           | n/a           |
| Benchmark             | 1.0         | 1.9         | 2.7          | 3.5          | 5.1           | 5.7           | 5.8           |

**Note:**

Benchmark = UBSA Bank Bill Index

## sector commentary

This sector is designed to help diversify exposure to equity risk and reduce total portfolio volatility. The objective of the sector is to generate 'cash plus' type returns with reduced volatility. These objectives suit hedge fund oriented strategies that exhibit relatively low market exposure.

Market conditions continue to favour most hedge fund strategies and money continues to flow back into hedge funds. However, in total there is still lower levels of capital invested compared with the 2008-2009 period. Over the quarter most strategies did well, particularly event driven/distressed strategies. In the credit markets, bankruptcy rates have fallen from their peak but remain elevated compared to average. Credit spreads have contracted, and delivering returns is now much more about company-specific credit analysis. This requires managers with deep credit skills and good portfolio construction abilities. Credit specialist hedge funds are ideally placed to exploit the available opportunities. Over the quarter, equity market neutral and short biased strategies were challenged by the rally in equity markets. ipac's recent investment with Oakhill's long-short credit strategy has delivered strong positive returns, including during falling markets, demonstrating its diversification benefits.

The current sector settings are consistent with the strategy of relatively low exposure to market beta. We continue to explore interesting new investment opportunities and are focused primarily on those investments that help to diversify equity risk and those where the underlying assets are cheap compared to their contribution to overall portfolio risk. Currently, there are few cheap assets being offered as liquidity has improved and investor risk aversion has abated. However, we think that there are potential investments that offer attractive returns for risk, eg managed futures, macro and credit-based investments and some of these are the subject of our current research activities.

## Australian Listed Property

|                      | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|----------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector               | -1.1        | -5.8        | 23.4         | 42.1         | -25.5         | -26.4         | -9.4          |
| Sector - Strategy 5  | -1.1        | -5.8        | 23.4         | 41.3         | -23.4         | -24.3         | n/a           |
| A-REIT Multi-Manager | -1.1        | -5.8        | 23.4         | 42.1         | n/a           | n/a           | n/a           |
| Benchmark            | -1.6        | -6.5        | 22.2         | 42.0         | -22.8         | -23.3         | -7.2          |

### Notes:

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

## market commentary

**S&P/ASX 300 A-REIT Index: 3 month: -1.6%; 12 month: 42.0%**

The Australian listed property market was down slightly for the quarter. Valuations are fair on a net asset value basis for this asset class. However, the market is still working its way through the wave of recent consolidation activity and uncertainty over the environment for leasing.

Industrials was the strongest performing industry sector for the quarter, but gained just 1.0%. The weakest performing industry sector was Commercial, falling 7.2%.

The strongest performing trusts over the quarter were Australian Education Trust (up 13.4%), followed by Challenger Diversified Property Group and Trafalgar Corporate Group, which gained 12.9% and 9.3% respectively. The weakest performers were Macquarie DDR Trust (down 39.0%), followed by MacArthur Cook Property Securities Fund (-33.7%) and APN European Retail Trust (-32.9%).

## sector commentary

The sector outperformed its benchmark for the March quarter. Perennial's high conviction mandate, which covers a wider universe of property trusts, added value.

The best performers were those stocks seen to be more defensive, with strong balance sheets and good quality property portfolios. Stocks with exposure to fund management businesses were marked down. Although earnings results reported during the quarter were softer, reflecting the weaker operating environment, they were typically in line with expectations and the outlooks were more optimistic.

## Global Listed Property

|                                | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|--------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector                         | 6.2         | 12.2        | 43.8         | 78.7         | -13.5         | -16.2         | n/a           |
| Sector - Strategy 5            | 6.2         | 12.5        | 42.5         | 77.4         | -13.5         | -16.2         | n/a           |
| CBRE                           | 4.9         | 11.3        | 38.5         | 73.2         | -11.5         | -14.4         | n/a           |
| LaSalle                        | 6.1         | 13.2        | 44.9         | 81.1         | -17.0         | -18.9         | n/a           |
| Global Listed Property - Index | 6.7         | 12.3        | 46.2         | n/a          | n/a           | n/a           | n/a           |
| Benchmark                      | 6.5         | 11.9        | 46.1         | 79.7         | -13.0         | -16.0         | n/a           |

**Note:**

Benchmark = UBS Global Investors Index (net div reinvested) in AUD hedged.

### market commentary

**UBS Global Investors Index (hedged): 3 month: 6.5%; 12 month: 79.7%**

Global listed property had a strong quarter. The US led the way benefiting from signs of an improvement in economic activity. The Japanese market was also strong, while European listed property trusts were weak. The UK market was particularly weak due to persisting uncertainty over the economy, a weak British Pound and political uncertainty.

In the US, commercial sales have strengthened. In New York, commercial property sales tripled in value in the first quarter compared to a year earlier as sellers took advantage of rising demand. Fundamentals also started to stabilise. Approximately \$US 3.3 billion of transactions priced at \$US 10 million or more were closed, almost matching the \$3.5 billion sold during the whole of last year.

Towards the end of the quarter, investors returned to the New York market, encouraged by signs of growing demand after the US recession and job losses at financial companies sent rents down 24% from their 2008 peak. Approximately 529,000 square meters of office space was leased in the first quarter, 84% more than a year earlier.

### sector commentary

The sector underperformed its benchmark in the March quarter. Security selection drove the relative performance.

The US was the primary driver of underperformance at both asset allocation and stock selection levels. The sector's largest relative position is its underweight to the US which was one of the strongest performing regions for the quarter. Stock selection in the US has favoured better capitalised companies which lagged as high leveraged and high beta companies outperformed. Simon Properties is an example of a quality retail REIT that lagged weaker, higher leveraged retail peers, with the added uncertainty of a potential hostile takeover battle with General Growth Properties.

Elsewhere in North America, the Canadian giant Brookfield rallied over the quarter to the detriment of the sector which holds an underweight position. Within Europe, the key holding of Unibail-Rodamco underperformed despite its well received transaction activity as it implements its strategy to focus on large shopping centres.

## Australian Shares

|                     | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | 1.3         | 4.6         | 28.1         | 42.9         | 0.8           | -2.1          | 8.4           |
| Sector - Strategy 5 | 1.2         | 4.0         | 26.3         | 39.2         | 0.9           | -2.2          | n/a           |
| BlackRock Australia | 1.0         | 4.5         | 26.9         | 41.4         | -2.0          | -3.5          | 7.9           |
| Lazard              | 1.5         | 4.8         | n/a          | n/a          | n/a           | n/a           | n/a           |
| GMO                 | 1.1         | 4.1         | n/a          | n/a          | n/a           | n/a           | n/a           |
| Schroder            | 2.0         | 4.7         | 31.8         | 48.1         | 4.5           | 0.4           | 10.7          |
| MBA                 | 1.2         | 2.7         | n/a          | n/a          | n/a           | n/a           | n/a           |
| Lazard*             | -0.2        | 2.1         | n/a          | n/a          | n/a           | n/a           | n/a           |
| Benchmark           | 1.3         | 4.7         | 27.3         | 41.9         | -0.2          | -2.6          | 8.0           |

### Notes:

Benchmark = S&P/ASX 300 Accumulation Index.

\* additional Lazard investment for Strategy 5.

### market commentary

**S&P/ASX 300 Accumulation Index: 3 month: 1.3%; 12 month: 41.9%**

The Australian share market made modest gains over the first quarter. Performance across industry sectors and stocks was mixed as investors focused more on stock specifics. In contrast to international shares, there was a slightly more defensive bias in the domestic market. This was largely due to the fact that Australia has already enjoyed some large gains in sharemarkets, and is more advanced than other developed economies in the global recovery cycle.

The best performing industry sectors for the quarter were Information Technology (+5.0%) and Healthcare (+3.1%). The weakest was Telecoms (-12.7%) which suffered as a consequence of uncertainties surrounding the regulatory environment. Energy (-1.7%) also underperformed the broader market.

Stock performance varied widely, with the strongest performer, Giralia Resources, up 59.2%, and the weakest performer, WDS Limited, down 58.0%. Consumer Discretionary stocks such as David Jones, Myer and Harvey Norman underperformed as increasing competition and margin pressure began to emerge. However, banks held up relatively well, helped by a profit upgrade from CBA. A number of companies under M&A scrutiny performed well - Ramsay Healthcare was one such company where the stock price gained 27.8% for the quarter. Flight Centre also performed well, gaining 13.9% after announcing a profit upgrade. A strong Australian Dollar has encouraged increased overseas travel by Australians.

### sector commentary

Australian shares performed broadly in line with the benchmark for the quarter. Individual stock positions drove relative performance in line with our expectations, given the sector's recent restructure. The sector's underweight positions in Energy, Gold and A-REITs added value at the margin.

Performance across the various manager insights was mixed. The longer term, fundamental driven stock insights were more dominant in terms of specific stock outcomes, but both longer term and shorter term insights had both positive and negative impacts, underlining the importance of stock specifics over the period.

At the stock level, an overweight in M&A target Macarthur Coal, which was driven by shorter term market insights, was a significant contributor. Performance was also helped by holdings in mineral sand miner Iluka Resources, business supplier Corporate Express and Brambles. These positions were driven by the longer horizon manager processes.

Fundamental longer term insights were the source of overweights in medium sized companies which underperformed over the quarter (James Hardie and Downer are examples where fundamental analysis suggests recent negative market reaction has been over done). In addition, overweight positions in retailers David Jones and JB HiFi detracted from performance. These positions were driven by shorter term signals based on their strong returns over recent periods.

Individual stock performance is likely to continue to be a key determinant of returns over coming periods as the market returns to a more 'normal' footing following the strong rebound in 2009. Companies' ability to deliver earnings growth going forward will be key since the market has been through a period of price/earnings expansion and valuation dispersions have narrowed.

### sector commentary (Strategy 5)

Please refer to sector commentary above. Additional managers in this portfolio are Lazard and MBA.

Lazard outperformed the benchmark for the March quarter. The portfolio's high conviction holdings in Aristocrat Leisure, Flight Centre and Brambles all finished higher for the quarter and collectively contributed about 0.4% to relative performance. Holdings in Sigma Pharmaceutical detracted from relative performance. After a number of weeks in suspension, Sigma recommenced trading after announcing significant write-downs on goodwill associated with the acquisition of Arrow and Herron.

MBA underperformed the ASX 300. The manager's position in Telstra was the main detractor from performance for the quarter - Telstra fell 12.8% over the period. MBA is a fundamental, valuation oriented manager, with a long term investment horizon. The valuation driven approach generally gives the portfolio a defensive and lower beta over time.

## International Shares

|                                  | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|----------------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector - Unhedged                | 0.5         | 3.6         | 11.1         | 14.6         | -8.5          | -10.4         | -0.8          |
| Sector - Strategy 5 Unhedged     | 0.2         | 3.6         | 9.9          | 17.2         | n/a           | n/a           | n/a           |
| Enhanced Investment Technologies | 0.9         | 3.7         | 8.6          | 8.4          | n/a           | n/a           | n/a           |
| AB Growth                        | -0.4        | 4.1         | 10.4         | 11.0         | -14.5         | -14.7         | -3.4          |
| Arrowstreet                      | 0.3         | 3.8         | 12.2         | 20.3         | n/a           | n/a           | n/a           |
| GMO                              | 0.4         | 3.9         | 10.4         | 10.9         | -5.3          | -7.1          | 0.5           |
| AB Value                         | 0.1         | 2.6         | 12.4         | 19.0         | -13.5         | -15.0         | -2.6          |
| LSV                              | 2.4         | 3.7         | 15.2         | 24.1         | -4.9          | -9.8          | 0.5           |
| Epoch                            | -1.0        | 3.9         | 6.4          | n/a          | n/a           | n/a           | n/a           |
| International Shares - Index     | 1.1         | 3.3         | 10.7         | 14.7         | n/a           | n/a           | n/a           |
| Benchmark                        | 1.1         | 3.2         | 10.5         | 14.5         | -7.0          | -9.6          | -0.8          |
| Sector - Hedged                  | 5.0         | 11.6        | 28.5         | 48.3         | -6.2          | -6.7          | 3.1           |
| Sector - Strategy 5 Hedged       | 4.8         | 11.7        | 27.6         | 54.7         | -7.5          | -8.9          | n/a           |
| Enhanced Investment Technologies | 5.4         | 11.8        | 25.7         | 40.5         | n/a           | n/a           | n/a           |
| AB Growth                        | 4.0         | 12.4        | 27.8         | 43.8         | -14.5         | -14.7         | -3.4          |
| Arrowstreet                      | 4.7         | 12.0        | 29.9         | 55.8         | n/a           | n/a           | n/a           |
| GMO                              | 4.9         | 12.1        | 27.8         | 43.7         | -5.3          | -7.1          | 0.5           |
| AB Value                         | 4.5         | 10.7        | 30.2         | 54.2         | -13.5         | -15.0         | -2.6          |
| LSV                              | 6.9         | 11.9        | 33.4         | 60.8         | -4.9          | -9.8          | 0.5           |
| Epoch                            | 3.8         | 11.4        | 23.8         | n/a          | n/a           | n/a           | n/a           |
| International Shares - Index     | 5.6         | 11.4        | 27.9         | 48.0         | n/a           | n/a           | n/a           |
| Benchmark                        | 5.5         | 11.2        | 28.0         | 49.1         | -4.4          | -5.6          | 3.5           |

#### 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.

### market commentary

MSCI World ex-Australia Index (\$A hedged): 3 month: 5.5%; 12 month: 49.1%

MSCI World ex-Australia Index (\$A unhedged): 3 month: 1.1%; 12 month: 14.5%

Hedged investments benefited from firm underlying market returns and an appreciation of the Australian Dollar. On an unhedged basis, international shares made modest gains over the quarter. Investor attitude towards risk ebbed and flowed during the period. Initially, investors became increasingly concerned following news of Greece's large fiscal deficit position and uncertainties surrounding US growth. Towards the end of the period, however, the markets ended on a more positive note following improved economic data from the US and an encouraging profit season.

Within individual markets the US delivered firm returns, up 4.9% for the quarter. The European market was up 3.0%. Most of these gains were made later in the quarter once a debt stabilisation package had been agreed for Greece. Japan was one of the strongest of the major markets, up 7.7%. Investors were attracted by sharemarket valuations and signs of improving global activity.

Value and growth stocks performed broadly in line with each other. However, Cyclical stocks tended to outperform defensive names. Industrials, Consumer Discretionary and Financials were the strongest performing sectors (up 9.8%, 7.8% and 5.4% respectively). The weakest areas of the market were Utilities (-1.8%), Telecoms (-1.7%) and Energy (-0.2%).

### sector commentary

The sector underperformed its benchmark for the quarter. An overweight exposure to Utilities and Energy stocks detracted from performance, as did an underweight exposure to Industrials and Consumer Discretionary stocks.

Managers Alliance Growth and Bernstein Value detracted from performance. Stock selection within Financials, Industrials and Healthcare were detrimental to relative returns. Arrowstreet also underperformed due to sector and stock selection decisions, particularly in Information Technology and Consumer Staples. Strong performance by LSV was positive for returns. The manager's value and small cap tilts were rewarded, contributing to strong relative performance.

Over the 12 month period to 31 March, the sector has outperformed its benchmark. The sector's recent underperformance reflects the current investment environment where lower quality stocks have been rewarded. We expect that over the long term higher quality stocks will outperform the broader market, benefiting relative performance within the sector.

### sector commentary (Strategy 5)

Please refer to sector commentary above. Epoch is an additional manager for this portfolio:

Epoch 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. During the quarter, the market favoured lower quality stocks, and as such Epoch underperformed the benchmark.

## Global Smaller Companies

|                     | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | 6.1         | 5.7         | 19.7         | 51.2         | 3.6           | -7.1          | n/a           |
| Sector - Strategy 5 | 6.1         | 5.7         | 19.7         | n/a          | n/a           | n/a           | n/a           |
| Benchmark           | 5.4         | 6.4         | 16.3         | 29.2         | -4.6          | -10.6         | -0.1          |

### Notes:

Benchmark = MSCI World Small Cap Index in AUD unhedged (net dividends reinvested) . S&P/Citigroup World <US\$1.5bn Cap Range Index (net dividends reinvested) in AUD unhedged prior to 01 Oct 2009.

### market commentary

**MSCI World Small Cap Index (\$A unhedged): 3 month: 5.4%; 12 month: 29.2%**

Global smaller companies outperformed larger companies over the quarter. This reflected the continued increase in investor risk appetite following signs of improvement in the US economy. Cyclical stocks were favoured over defensive stocks during the period, and value tended to outperform growth.

Nordic (+9.4%), North American (+9.2%) and European (+9.1%) markets were the strongest performing, followed closely by the Far East (up 8.7%).

## sector commentary

The sector outperformed its benchmark for the quarter. The key development in the previous quarter was the introduction of two new managers, Pyramis and Dimensional, to complement Arrowstreet. Pyramis adopts a fundamental bottom-up research-driven investment approach with tight portfolio construction disciplines. Dimensional adopts a systematic approach to accessing the premium delivered in the smaller capitalisation segment of the sharemarket.

During the first quarter of 2010, Arrowstreet was the main contributor to sector performance, while new manager Pyramis also added value. Stock selection was the main driver of the strong relative performance. Positions in Consumer Discretionary, Information Technology and Materials was particularly beneficial to performance, and more than off-set the value detracted in Healthcare.

## Global Emerging Markets

|                     | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | -0.2        | 6.5         | 21.1         | 47.9         | -4.4          | -0.2          | 10.9          |
| Sector - Strategy 5 | -0.2        | 6.5         | 21.1         | n/a          | n/a           | n/a           | n/a           |
| Benchmark           | 0.3         | 6.9         | 18.4         | 37.1         | -2.4          | 0.8           | 11.8          |

### Note:

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

## market commentary

**MSCI EM Index in \$A: 3 month: 0.3%; 12 month: 37.1%**

Global emerging markets were held back by flat performance in Asia during the quarter. Within Asia, returns were negative in China with the market down 1.4%. Investors were concerned that China's economy may lose momentum and undermine the global recovery. This came as the Chinese government reined in earlier stimulus measures to counter inflation and asset bubble risks, and the flow of credit in the market eased. The strongest performing region was EMEA (Europe, the Middle East and Africa) which was up 5.0% for the quarter despite concerns about the impact on of Greece's funding difficulties.

The strongest performing sectors for the quarter were Healthcare (up 9.8%) and Materials (up 4.8%), while Information Technology (-1.5%) and Energy (-1.4%) lagged the broader market.

## sector commentary

The sector lagged its benchmark in the first quarter. Stock selection was the cause of the underperformance, negating a positive contribution from country allocation.

Underweight positions in Chile and China and overweights in Thailand and Turkey were all favourable for performance. However, stock selection, mainly in Brazil and Mexico, had a negative impact on performance. The underperformers were typically the cyclical sector stocks which had driven the strong positive performance of 2009. Names included Cemex, the Mexican cement maker, and Gerdau, the Brazilian steel maker. Their prices pulled back in March as mixed data on the global economic recovery caused investor concern.

## Alternative Growth

|                     | 3 mths<br>% | 6 mths<br>% | Fin YTD<br>% | 1 yr<br>% pa | 2 yrs<br>% pa | 3 yrs<br>% pa | 5 yrs<br>% pa |
|---------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|
| Sector              | 3.1         | 9.6         | 17.8         | n/a          | n/a           | n/a           | n/a           |
| Sector - Strategy 5 | 3.1         | 9.4         | 17.8         | n/a          | n/a           | n/a           | n/a           |

### Alternative Growth

The objective of the sector is to deliver equity-like returns but with lower risk. Currently, the sector includes infrastructure and non-agency US mortgage backed securities and private equity. During the quarter, opportunistic investments in mortgage backed securities performed well as liquidity returned to the market. These investments were put in place as these securities were priced very attractively during the height of the market dislocations in late 2008 and into 2009. The market has recovered somewhat since then but continues to offer value. In particular, selective securities carrying slightly higher risk (ie, further down the capital structure) seem to offer a disproportionately higher return for their embedded risk and will likely be impacted less under a scenario of greater economic stress than is assumed by the market. It is likely that around 10% of the sector will be rolled over into these securities as opportunities arise.

We continue to research some attractive investment opportunities in this space such as insurance, distressed debt and specialty finance transactions, and we expect to make some new investments shortly.

# 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  |
|------------------------------------|--|
| <b>Australian cash</b>             |  |
| Macquarie                          | In the medium-term, the strategy objective is to deliver returns in line with the UBS Bank Bill index on a rolling monthly basis. However, the strategy has a tilt towards credit which means that manager's and the strategy's performance in the near term will be dependent on the movement in credit spreads.  |
| <b>Alternative Income</b>          |  |
| 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.   |
| <b>Australian Fixed Interest</b>   |  |
| Macquarie                          | The multi-factor investment process generates value add through a combination of systematic, technical and judgemental processes. In the medium-term, the portfolio is expected to closely resemble the risk and liquidity exposures of the benchmark. Macquarie has developed a proprietary model for security selection of government and semi government securities. The process to select non-government securities is bottom-up and fundamentally oriented.   |
| <b>Global Fixed Interest</b>       |  |
| 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.   |
| <b>Alternative Defensive</b>       |  |
| 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 by 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.  |
| BlackRock Multi - Opportunity Fund | The BlackRock 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. BlackRock has significant resources focused on investment research, process development and risk management. The quantitative investment process seeks to deliver consistent, risk-controlled absolute returns that over time are uncorrelated with traditional asset classes.   |
| Oak Hill Advisors                  | Oak Hill Advisors (Oak Hill) is a US-based credit manager that pursues a number of different strategies in the credit markets. ipac's investment with Oak Hill is through their Credit Alpha Fund, 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 Listed Property

|                        |   |
|------------------------|---|
| 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 Listed 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

|                     |   |
|---------------------|---|
| BlackRock Australia | BlackRock Australia uses a quantitative, multi-factor approach with a medium term investment horizon. They employ a strong research base and implement their portfolios in a disciplined way. |
| Lazard              | Lazard has a fundamental, relative value driven approach and a long term investment horizon. The focus for adding value is outside of the largest stocks.                                     |
| GMO                 | GMO uses a quantitative, market-based signals oriented approach with a shorter term investment horizon. The focus for adding value is outside of the largest stocks.                          |
| Schroders           | Schroders' fundamental, quality growth and relative valuation driven approach provides a broad spread of potential alpha sources.   |
| Maple-Brown Abbott  | MBA is a fundamental, valuation oriented manager, with a long term investment horizon. The valuation driven approach generally gives the portfolio a defensive and lower beta over time.      |

### 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. Arrowstreet aims to exploit behavioural and informational inefficiencies in the market. Portfolios can take style tilts from time to time.   |
| 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                        | Bernstein Global Value identifies undervalued companies through intensive bottom-up fundamental research. The manager's use of quantitative investment techniques 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                            | 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 BlackRock Fission. This fund aims to deliver index returns.   |

### Global Smaller Companies

|             |   |
|-------------|---|
| Arrowstreet | Arrowstreet employs a quantitative approach to stock selection, evaluating securities across country, sector, basket and stock dimensions. Arrowstreet aims to exploit behavioural and informational inefficiencies in the market. Portfolios can take style tilts from time to time. |
|-------------|---|

|                                   |  |
|-----------------------------------|--|
| Dimensional Fund Advisors (DFA)   | DFA uses a unique process which brings broad small cap exposure to the sector. The manager systematically constructs portfolios that are designed to capture size premia from stocks that are smaller than those in the benchmark. Smaller sized stocks tend to be less liquid, and this premium is captured systematically through patient trade execution.   |
| Pyramis Global Advisors (Pyramis) | Pyramis is the wholly owned US institutional asset management subsidiary of Fidelity Management & Research Company. Pyramis aims to generate active returns by using its vast resources of analysts to evaluate ideas in a fundamental, bottom-up way. The manager brings a modest growth tilt which offsets the value style tilt of Arrowstreet.  |
| <b>Global Emerging Markets</b>    |  |
| 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.   |
| GMO                               | GMO combines quantitative and qualitative disciplines to identify countries and stocks that are mis-priced, drawing on valuation, momentum and quality factors and fundamental signals. The strategy combines a top-down approach to country selection and a bottom up approach to security selection.   |
| <b>Alternative Growth</b>         |  |
| Global Listed Infrastructure      | Vanguard is the manager of this sector. The sector aims to deliver index returns.  |
| TCW Asset Management              | TCW are a US based credit manager. They were one of the nine managers selected by the US government for their public/private investment program. TCW have well established security selection skills that will enable ipac to capture this differentiated source of return. TCW invests in a diversified portfolio of securities high up in the capital structure of private US mortgage securitisations. The potential return for the risk makes the investment attractive. |

# portfolio management report

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## summary of investment activity since 1 March 2009

| Date     | sector                               | change   | rationale   |
|----------|--------------------------------------|--|---|
| April 09 | All sectors                          | Strategic asset allocation (SAA) changes                 | <p>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.</p> <p>Key changes initially being implemented include:</p> <ul style="list-style-type: none"> <li>~ increased exposure to alternative investments</li> <li>~ introduction of International Smaller Companies and Global Emerging Market Equities into DIS 1</li> <li>~ continued evolution of DIS 5.</li> </ul> <p>The enhancements will be phased in gradually, taking advantage of market opportunities and keeping market conditions in mind.</p>  |
| April 09 | Australian listed property (A-REITs) | Restructure of the Australian property sector            | <p>ipac research identified an innovative approach that combined active and passive investment styles to address the skewness by market capitalisation of the sector, while still delivering active risk.</p> <p>This strategy seeks to capture active return more efficiently. The key improvements can be summarised as follows:</p> <ul style="list-style-type: none"> <li>~ ipac's Australian listed property sector has been divided into two mandates - Enhanced Leaders (approximately 70%) and High Conviction (30%).</li> <li>~ 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.</li> <li>~ 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.</li> </ul> |
| May 09   | International Shares                 | Enhancements to the international shares sector of DIS 5 | <p>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</p>   |

| Date    | sector  | change  | rationale  |
|---------|---|---|--|
|         |   |   | <p>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 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.</p>   |
| July 09 | Alternative Defensive                         | Investment with Oak Hill Advisors                         | <p>~ ipac has taken advantage of the market dislocation in credit markets to make an opportunistic investment in credit strategies.</p> <p>~ The investment is with Oak Hill Advisors through their Credit Alpha Fund (Offshore). Intense research and experience enables Oak Hill to identify credit opportunities likely to recover their value and that will also benefit from the contraction in credit spreads as financial markets stabilise.</p>  |
| Aug 09  | Australian Fixed Interest and Australian Cash | Appointed Macquarie and removed AllianceBernstein and BGI | <p>~ ipac has reviewed the Australian Fixed Interest and Australian Cash sectors and has implemented changes to the manager line-up to reflect the shifting investment opportunity set.</p> <p>~ Macquarie Funds Group (Macquarie) has been appointed to manage both the Australian Fixed Interest and Australian Cash sectors. Macquarie replaces AllianceBernstein and BGI.</p> <p>~ ipac views Macquarie's process as well tuned to meet client needs in the context of the changing structure of the Australian fixed interest market.</p>                           |
| Aug 09  | Alternative Growth                            | Investment with TCW                                       | <p>~ Allocations to Alternative Defensive and Alternative Growth increase diversification of our portfolios and enable us to capture new sources of return.</p> <p>~ We are building out our alternatives exposure by making small, opportunistic investments.</p> <p>~ The latest investment is with US-based credit manager TCW in the Alternative Growth sector. TCW invests in a diversified portfolio of securities high up in the capital structure of private US mortgage securitisations. The potential return for the risk makes the investment attractive.</p> |
| Sept 09 | Australian Shares                             | Completion of Australian Shares Review                    | <p>~ ipac has reviewed the Australian shares sector and implemented enhancements that seek to continue to outperform the benchmark and deliver more consistent and efficient performance over time.</p> <p>~ GMO and Lazard have been appointed whilst BGI, Schroder and Maple-Brown Abbott (DIS 5 only) have been retained. Integrity, Investor's Mutual, Wallara, MIR and Bernstein Value have been removed.</p>   |

| Date   | sector                   | change  | rationale  |
|--------|--------------------------|---|--|
|        |                          |   | <ul style="list-style-type: none"> <li data-bbox="943 176 1453 389">~ The mandates given to GMO and Lazard are unique. Both managers will focus their risk taking in the mid and small cap segments of the market where their stock selection skills are well suited. Their mandates will lead them to maintain exposure to the largest 12-15 stocks at close to benchmark weight.</li> <li data-bbox="943 416 1453 629">~ BGI and Schroder can take positions across the entire market, including the largest stocks. By limiting the number of managers that take active positions in the largest stocks, ipac will increase portfolio efficiency by reducing turnover and tax events in the large capitalisation stocks.</li> <li data-bbox="943 656 1453 1025">~ ipac has maintained the defensive bias of the Australian shares sector of DIS 5 and increased the manager diversity in the sector. An investment has been retained with incumbent manager, Maple-Brown Abbott, and a new investment made with Lazard. Both managers typically offer investment processes with the more resilient characteristics we are seeking for DIS 5. The Maple-Brown Abbott and Lazard strategies are complemented by an allocation to ipac's core active Australian shares structure.</li> </ul> |
| Nov 09 | Global Smaller Companies | Introduction of manager diversification in Global Smaller Companies | <ul style="list-style-type: none"> <li data-bbox="943 1149 1453 1261">~ Earlier in 2009, ipac allocated a greater proportion of the International Shares weighting in the diversified portfolios to Global Smaller Companies.</li> <li data-bbox="943 1288 1453 1473">~ ipac appointed appoint Pyramis Global Advisors and Dimensional Fund Advisors to provide the sector with: <ul style="list-style-type: none"> <li data-bbox="995 1384 1453 1417">~ more diversification of risk and volatility</li> <li data-bbox="995 1424 1453 1473">~ greater breadth of ideas and sources of return</li> </ul> </li> </ul>   |
| Nov 09 | Global Emerging Markets  | Addition of a new manager in Global Emerging Markets                | <ul style="list-style-type: none"> <li data-bbox="943 1507 1453 1653">~ ipac increased the allocation to Global Emerging Markets in the diversified portfolios, with the aim of improving diversification and capturing a greater breadth of investment opportunities.</li> <li data-bbox="943 1671 1453 1727">~ The increased scale now available has enabled ipac to appoint GMO.</li> <li data-bbox="943 1744 1453 1991">~ The global emerging markets strategy managed by GMO is predominantly a quantitative process with supplementary judgemental input at both the country allocation and stock selection levels. The strategy has a value orientation but also incorporates momentum for diversification purposes.</li> </ul>   |

# current manager allocations

| asset class                     | manager                              | Div 1-4<br>allocation<br>% | Div 5<br>allocation<br>% |
|---------------------------------|--------------------------------------|----------------------------|--------------------------|
| Australian Cash                 | Macquarie                            | 100.0                      | 100.0                    |
| Alternative Income              | PIMCO                                | 100.0                      | 100.0                    |
| Australian Fixed Interest       | Macquarie                            | 100.0                      | 100.0                    |
| Global Fixed Interest           | BlackRock                            | 46.4                       | 0.0                      |
|                                 | PIMCO                                | 53.6                       | 100.0                    |
| Alternative Defensive           | Prisma                               | 54.4                       | 54.4                     |
|                                 | BlackRock Australia                  | 29.5                       | 29.5                     |
|                                 | Oak Hill                             | 8.8                        | 8.8                      |
|                                 | Macquarie                            | 7.3                        | 7.3                      |
| Australian Listed Property      | Vanguard                             | 66.2                       | 66.2                     |
|                                 | Perennial                            | 33.8                       | 33.8                     |
| Global Listed Property          | CBRE                                 | 21.2                       | 24.8                     |
|                                 | LaSalle                              | 21.0                       | 24.6                     |
|                                 | Global Listed Property - Index       | 57.8                       | 50.7                     |
| Australian Shares               | BlackRock Australia                  | 38.1                       | 29.7                     |
|                                 | Lazard                               | 18.5                       | 19.4                     |
|                                 | GMO                                  | 24.6                       | 19.2                     |
|                                 | Schroder                             | 18.8                       | 14.7                     |
|                                 | MBA                                  | 0.0                        | 17.0                     |
| International Shares (Unhedged) | Enhanced Investment Technologies     | 14.7                       | 9.9                      |
|                                 | AB Growth                            | 15.5                       | 10.5                     |
|                                 | Arrowstreet                          | 10.8                       | 7.3                      |
|                                 | GMO                                  | 17.9                       | 12.1                     |
|                                 | AB Value                             | 18.3                       | 12.3                     |
|                                 | LSV                                  | 9.4                        | 6.3                      |
|                                 | Epoch                                | 0.0                        | 24.9                     |
|                                 | International Shares - Index         | 13.4                       | 16.8                     |
| International Shares (Hedged)   | Enhanced Investment Technologies     | 14.4                       | 10.0                     |
|                                 | AB Growth                            | 15.2                       | 10.5                     |
|                                 | Arrowstreet                          | 10.6                       | 7.3                      |
|                                 | GMO                                  | 17.5                       | 12.1                     |
|                                 | AB Value                             | 17.9                       | 12.3                     |
|                                 | LSV                                  | 9.2                        | 6.4                      |
|                                 | Epoch                                | 0.0                        | 23.0                     |
|                                 | International Shares - Index         | 15.2                       | 18.4                     |
| Global Smaller Companies        | Arrowstreet                          | 39.1                       | 39.1                     |
|                                 | Dimensional                          | 20.7                       | 20.7                     |
|                                 | Pyramis                              | 40.2                       | 40.2                     |
| Global Emerging Markets         | Esemplia                             | 52.6                       | 52.6                     |
|                                 | GMO                                  | 47.4                       | 47.4                     |
| Alternative Growth              | Global Listed Infrastructure - Index | 79.2                       | 80.6                     |
|                                 | TCW                                  | 20.8                       | 19.4                     |

## Notes:

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

Target % based on agreed allocation within each asset class.

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

# current asset allocations

| asset class                     | Div No 1<br>% | Div No 2<br>% | Div No 3<br>% | Div No 4<br>% | Div No 5<br>% |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Australian Cash                 | 20.4%         | 3.3%          | 1.7%          | 1.7%          | 2.2%          |
| Alternative Income              | 19.6%         | 8.5%          | 4.4%          | 0.0%          | 7.1%          |
| Australian Fixed Interest       | 14.6%         | 8.0%          | 2.0%          | 0.0%          | 6.2%          |
| Global Fixed Interest           | 12.0%         | 7.1%          | 2.2%          | 0.0%          | 5.6%          |
| Alternative Defensive           | 2.2%          | 3.4%          | 5.8%          | 5.4%          | 21.7%         |
| <b>Defensive Assets</b>         | <b>68.8%</b>  | <b>30.3%</b>  | <b>16.1%</b>  | <b>7.1%</b>   | <b>42.8%</b>  |
| Australian Listed Property      | 2.0%          | 3.3%          | 3.1%          | 2.3%          | 3.1%          |
| Global Listed Property          | 3.8%          | 3.6%          | 4.7%          | 3.1%          | 2.5%          |
| Australian Shares               | 12.7%         | 30.0%         | 36.9%         | 38.2%         | 25.6%         |
| International Shares (Unhedged) | 3.2%          | 11.4%         | 13.5%         | 17.2%         | 8.8%          |
| International Shares (Hedged)   | 4.8%          | 13.1%         | 17.2%         | 22.0%         | 11.1%         |
| Global Smaller Companies        | 1.1%          | 2.2%          | 2.9%          | 3.8%          | 1.3%          |
| Global Emerging Markets         | 1.3%          | 2.7%          | 2.5%          | 2.9%          | 1.6%          |
| Alternative Growth              | 2.3%          | 3.4%          | 3.1%          | 3.3%          | 3.2%          |
| <b>Growth Assets</b>            | <b>31.2%</b>  | <b>69.7%</b>  | <b>83.9%</b>  | <b>92.9%</b>  | <b>57.2%</b>  |

## 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

| <b>Australian Shares</b> |                    | <b>% sector</b> | <b>International Shares</b> |  | <b>% sector</b> |
|--------------------------|--------------------|-----------------|-----------------------------|--|-----------------|
| 1                        | BHP BILLITON LTD   | 11.0%           | ROYAL DUTCH SHELL           |  | 1.3%            |
| 2                        | CMNWLTH BK OF AUST | 7.4%            | APPLE INC                   |  | 1.2%            |
| 3                        | WESTPAC BKG CORP   | 6.8%            | JOHNSON + JOHNSON           |  | 1.1%            |
| 4                        | AUST + NZ BANK GRP | 5.6%            | BP PLC                      |  | 1.0%            |
| 5                        | NATL AUSTRALIA BK  | 5.3%            | SANOFI AVENTIS              |  | 0.9%            |
| 6                        | WOOLWORTHS LTD     | 3.2%            | GOOGLE INC                  |  | 0.8%            |
| 7                        | TELSTRA CORP       | 2.8%            | GOLDMAN SACHS GROUP INC     |  | 0.8%            |
| 8                        | WESFARMERS         | 2.7%            | EXXON MOBIL CORP            |  | 0.8%            |
| 9                        | RIO TINTO LIMITED  | 2.6%            | PEPSICO INC                 |  | 0.8%            |
| 10                       | WESTFIELD GROUP    | 2.0%            | MERCK + CO INC NEW          |  | 0.8%            |

| <b>Australian Listed Property</b> |                    | <b>% sector</b> | <b>Global Listed Property</b> |  | <b>% sector</b> |
|-----------------------------------|--------------------|-----------------|-------------------------------|--|-----------------|
| 1                                 | WESTFIELD GROUP    | 41.8%           | SIMON PPTY GROUP INC NEW      |  | 6.2%            |
| 2                                 | STOCKLAND          | 15.0%           | UNIBAIL RODAMCO               |  | 4.7%            |
| 3                                 | GPT GROUP          | 7.8%            | VORNADO RLTY TR               |  | 3.3%            |
| 4                                 | DEXUS PROPERTY GP  | 6.0%            | PUBLIC STORAGE                |  | 3.3%            |
| 5                                 | MIRVAC GROUP       | 5.9%            | AVALONBAY COMMUNITIES INC     |  | 2.4%            |
| 6                                 | CFS RETAIL PROP    | 5.8%            | BOSTON PPTYS INC              |  | 2.2%            |
| 7                                 | GOODMAN GROUP      | 5.6%            | EQUITY RESIDENTIAL            |  | 2.1%            |
| 8                                 | COMMONWEALTH PROPE | 2.6%            | WESTFIELD GROUP               |  | 1.9%            |
| 9                                 | ING OFFICE FUND    | 2.5%            | BRITISH LAND CO               |  | 1.8%            |
| 10                                | MACQUARIE OFFICE   | 1.4%            | HOST HOTELS + RESORTS INC     |  | 1.8%            |

## top 10 holdings - Diversified Investment Strategy 5

| <b>Australian Shares</b> |                    | <b>% sector</b> | <b>International Shares</b> |  | <b>% sector</b> |
|--------------------------|--------------------|-----------------|-----------------------------|--|-----------------|
| 1                        | BHP BILLITON LTD   | 10.1%           | JOHNSON + JOHNSON           |  | 1.1%            |
| 2                        | WESTPAC BKG CORP   | 6.8%            | ROYAL DUTCH SHELL           |  | 1.1%            |
| 3                        | AUST + NZ BANK GRP | 6.0%            | BP PLC                      |  | 1.1%            |
| 4                        | NATL AUSTRALIA BK  | 5.9%            | APPLE INC                   |  | 1.1%            |
| 5                        | CMNWLTH BK OF AUST | 5.8%            | VODAFONE GROUP              |  | 0.8%            |
| 6                        | TELSTRA CORP       | 3.5%            | MERCK + CO INC NEW          |  | 0.8%            |
| 7                        | RIO TINTO LIMITED  | 2.8%            | EXXON MOBIL CORP            |  | 0.8%            |
| 8                        | WESFARMERS         | 2.7%            | MICROSOFT CORP              |  | 0.8%            |
| 9                        | WOOLWORTHS LTD     | 2.5%            | GOOGLE INC                  |  | 0.7%            |
| 10                       | SUNCORP METWAY     | 2.0%            | SANOFI AVENTIS              |  | 0.7%            |

| <b>Australian Listed Property</b> |                    | <b>% sector</b> | <b>Global Listed Property</b> |  | <b>% sector</b> |
|-----------------------------------|--------------------|-----------------|-------------------------------|--|-----------------|
| 1                                 | WESTFIELD GROUP    | 41.8%           | SIMON PPTY GROUP INC NEW      |  | 6.3%            |
| 2                                 | STOCKLAND          | 15.0%           | UNIBAIL RODAMCO               |  | 4.8%            |
| 3                                 | GPT GROUP          | 7.8%            | VORNADO RLTY TR               |  | 3.4%            |
| 4                                 | DEXUS PROPERTY GP  | 6.0%            | PUBLIC STORAGE                |  | 3.3%            |
| 5                                 | MIRVAC GROUP       | 5.9%            | AVALONBAY COMMUNITIES INC     |  | 2.5%            |
| 6                                 | CFS RETAIL PROP    | 5.8%            | WESTFIELD GROUP               |  | 2.2%            |
| 7                                 | GOODMAN GROUP      | 5.6%            | BOSTON PPTYS INC              |  | 2.2%            |
| 8                                 | COMMONWEALTH PROPE | 2.6%            | EQUITY RESIDENTIAL            |  | 2.0%            |
| 9                                 | ING OFFICE FUND    | 2.5%            | BRITISH LAND CO               |  | 1.9%            |
| 10                                | MACQUARIE OFFICE   | 1.4%            | HOST HOTELS + RESORTS INC     |  | 1.7%            |

# sector allocations vs benchmark - Diversified Investment Strategies 1 - 4

## Australian Shares – portfolio vs benchmark (by sector)

| sector                               | % allocation | % S&P/ASX 300 |
|--------------------------------------|--------------|---------------|
| CONSUMER DISCRETIONARY               | 5.6%         | 4.4%          |
| CONSUMER STAPLES                     | 7.6%         | 8.2%          |
| ENERGY                               | 5.3%         | 7.3%          |
| FINANCIALS EXCLUDING PROPERTY TRUSTS | 33.1%        | 33.7%         |
| HEALTH CARE                          | 3.4%         | 3.6%          |
| INDUSTRIALS                          | 8.7%         | 6.7%          |
| INFORMATION TECHNOLOGY               | 0.9%         | 0.8%          |
| LISTED PROPERTY TRUSTS               | 4.1%         | 5.7%          |
| MATERIALS                            | 26.9%        | 25.1%         |
| TELECOMMUNICATION SERVICES           | 3.5%         | 3.3%          |
| UTILITIES                            | 1.0%         | 1.3%          |

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

|                        | International Shares |        | Global Fixed Interest |   |
|------------------------|----------------------|--------|-----------------------|---|
|                        | % allocation         | % MSCI | % allocation          | % Barclays Capital Global Aggregate Index |
| NORTH AMERICA          | 51.3%                | 55.7%  | 50.3%                 | 43.6%                                     |
| EUROPE (EXCLUDING UK)  | 23.4%                | 21.4%  | 31.8%                 | 30.5%                                     |
| UK                     | 11.9%                | 10.5%  | 4.3%                  | 4.9%                                      |
| ASIA (EXCLUDING JAPAN) | 2.5%                 | 1.9%   | 5.6%                  | 2.1%                                      |
| JAPAN                  | 7.7%                 | 10.5%  | 7.6%                  | 17.1%                                     |
| OTHER                  | 3.3%                 | 0.0%   | 0.0%                  | 0.0%                                      |
| EMERGING MARKETS       | 0.0%                 | 0.0%   | 0.4%                  | 1.8%                                      |

## International Shares – portfolio vs benchmark (by sector)

| sector                               | % allocation | % MSCI |
|--------------------------------------|--------------|--------|
| CONSUMER DISCRETIONARY               | 13.7%        | 10.0%  |
| CONSUMER STAPLES                     | 7.8%         | 10.1%  |
| ENERGY                               | 9.7%         | 10.6%  |
| FINANCIALS INCLUDING PROPERTY TRUSTS | 18.2%        | 20.1%  |
| HEALTH CARE                          | 12.6%        | 10.3%  |
| INDUSTRIALS                          | 11.7%        | 11.1%  |
| INFORMATION TECHNOLOGY               | 15.2%        | 12.5%  |
| MATERIALS                            | 6.5%         | 6.7%   |
| TELECOMMUNICATION SERVICES           | 3.2%         | 4.2%   |
| UTILITIES                            | 1.4%         | 4.4%   |

**Note:**

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

### Australian Fixed Interest – portfolio vs benchmark (by sector)

| type of security  | % allocation | % UBSA Composite Bond Index |
|-------------------|--------------|-----------------------------|
| GOVERNMENT        | 13.4%        | 27.0%                       |
| SEMI GOVERNMENT   | 35.3%        | 32.5%                       |
| CORPORATE / OTHER | 51.3%        | 40.5%                       |

### Global Fixed Interest – portfolio vs benchmark (by sector)

| sector               | % allocation | % Barclays Capital Global Aggregate Index |
|----------------------|--------------|---|
| ASSET BACKED / OTHER | 23.9%        | 19.0%                                     |
| CORPORATE            | 37.4%        | 16.2%                                     |
| GOVERNMENT           | 38.6%        | 64.8%                                     |

### Australian Listed Property - portfolio vs benchmark (by sector)

|             | % allocation | % S&P/ASX 300 A-REIT Index |
|-------------|--------------|----------------------------|
| COMMERCIAL  | 6.5%         | 7.0%                       |
| DIVERSIFIED | 35.9%        | 38.2%                      |
| HOTEL       | 0.0%         | 0.0%                       |
| INDUSTRIAL  | 6.9%         | 7.7%                       |
| RETAIL      | 49.2%        | 47.1%                      |
| OTHER       | 1.6%         | 0.0%                       |

### Global Listed Property - portfolio vs benchmark (by country)

|                     | % allocation | % UBS Global Property Investors Index |
|---------------------|--------------|---------------------------------------|
| NORTH AMERICA       | 59.4%        | 54.7%                                 |
| EUROPE EXCLUDING UK | 14.1%        | 14.4%                                 |
| UK                  | 8.7%         | 7.1%                                  |
| JAPAN               | 5.2%         | 5.2%                                  |
| ASIA EX JAPAN       | 11.8%        | 18.6%                                 |
| OTHER               | 0.8%         | 0.0%                                  |

### Global Emerging Markets - portfolio vs benchmark (by country)

|                                     | % allocation | % MSCI EM Index |
|-------------------------------------|--------------|-----------------|
| LATIN AMERICA                       | 22.0%        | 23.5%           |
| ASIA EX JAPAN                       | 45.5%        | 55.4%           |
| EUROPE / MIDDLE EAST / AFRICA/OTHER | 32.5%        | 21.1%           |

**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               | 7.9%         | 4.4%          |
| CONSUMER STAPLES                     | 8.0%         | 8.2%          |
| ENERGY                               | 5.0%         | 7.3%          |
| FINANCIALS EXCLUDING PROPERTY TRUSTS | 31.9%        | 33.7%         |
| HEALTH CARE                          | 3.8%         | 3.6%          |
| INDUSTRIALS                          | 8.9%         | 6.7%          |
| INFORMATION TECHNOLOGY               | 0.8%         | 0.8%          |
| LISTED PROPERTY TRUSTS               | 3.8%         | 5.7%          |
| MATERIALS                            | 24.5%        | 25.1%         |
| TELECOMMUNICATION SERVICES           | 4.6%         | 3.3%          |
| UTILITIES                            | 0.9%         | 1.3%          |

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

|                        | International Shares |        | Global Fixed Interest |   |
|------------------------|----------------------|--------|-----------------------|---|
|                        | % allocation         | % MSCI | % allocation          | % Barclays Capital Global Aggregate Index |
| NORTH AMERICA          | 52.3%                | 55.7%  | 46.1%                 | 43.6%                                     |
| EUROPE (EXCLUDING UK)  | 22.9%                | 21.4%  | 33.9%                 | 30.5%                                     |
| UK                     | 12.7%                | 10.5%  | 4.8%                  | 4.9%                                      |
| ASIA (EXCLUDING JAPAN) | 2.3%                 | 1.9%   | 7.2%                  | 2.1%                                      |
| JAPAN                  | 6.9%                 | 10.5%  | 7.3%                  | 17.1%                                     |
| OTHER                  | 2.9%                 | 0.0%   | 0.0%                  | 0.0%                                      |
| EMERGING MARKETS       | 0.0%                 | 0.0%   | 0.7%                  | 1.8%                                      |

## International Shares – portfolio vs benchmark (by sector)

| sector                     | % allocation | % MSCI |
|----------------------------|--------------|--------|
| CONSUMER DISCRETIONARY     | 12.6%        | 10.0%  |
| CONSUMER STAPLES           | 9.4%         | 10.1%  |
| ENERGY                     | 9.6%         | 10.6%  |
| FINANCIALS                 | 17.2%        | 20.1%  |
| HEALTH CARE                | 11.7%        | 10.3%  |
| INDUSTRIALS                | 11.7%        | 11.1%  |
| INFORMATION TECHNOLOGY     | 13.7%        | 12.5%  |
| MATERIALS                  | 6.3%         | 6.7%   |
| TELECOMMUNICATION SERVICES | 4.5%         | 4.2%   |
| UTILITIES                  | 3.4%         | 4.4%   |

**Note:**

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

### Australian Fixed Interest – portfolio vs benchmark (by sector)

| type of security  | % allocation | % UBSA Composite Bond Index |
|-------------------|--------------|-----------------------------|
| GOVERNMENT        | 13.4%        | 27.0%                       |
| SEMI GOVERNMENT   | 35.3%        | 32.5%                       |
| CORPORATE / OTHER | 51.3%        | 40.5%                       |

### Global Fixed Interest – portfolio vs benchmark (by sector)

| sector               | % allocation | % Barclays Capital Global Aggregate Index |
|----------------------|--------------|---|
| ASSET BACKED / OTHER | 20.2%        | 19.0%                                     |
| CORPORATE            | 42.3%        | 16.2%                                     |
| GOVERNMENT           | 37.5%        | 64.8%                                     |

### Australian Listed Property - portfolio vs benchmark (by sector)

|             | % allocation | % S&P/ASX 300 A-REIT Index |
|-------------|--------------|----------------------------|
| COMMERCIAL  | 6.4%         | 7.0%                       |
| DIVERSIFIED | 35.9%        | 38.2%                      |
| HOTEL       | 0.0%         | 0.0%                       |
| INDUSTRIAL  | 6.8%         | 7.7%                       |
| RETAIL      | 49.2%        | 47.1%                      |
| OTHER       | 1.6%         | 0.0%                       |

### Global Listed Property - portfolio vs benchmark (by country)

|                     | % allocation | % UBS Global Property Investors Index |
|---------------------|--------------|---------------------------------------|
| NORTH AMERICA       | 58.7%        | 54.7%                                 |
| EUROPE EXCLUDING UK | 13.9%        | 14.4%                                 |
| UK                  | 8.6%         | 7.1%                                  |
| JAPAN               | 5.1%         | 5.2%                                  |
| ASIA EX JAPAN       | 12.8%        | 18.6%                                 |
| OTHER               | 0.9%         | 0.0%                                  |

### Global Emerging Markets - portfolio vs benchmark (by country)

|                                     | % allocation | % MSCI EM Index |
|-------------------------------------|--------------|-----------------|
| LATIN AMERICA                       | 22.0%        | 23.5%           |
| ASIA EX JAPAN                       | 45.5%        | 55.4%           |
| EUROPE / MIDDLE EAST / AFRICA/OTHER | 32.5%        | 21.1%           |

**Note:**

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

# historical financial year returns – income & growth

| Fund Name                             | Date      | 1 Yr rolling rtn<br>% pa (net) | 1 Yr Growth<br>% | 1 Yr Distribution<br>% |
|---------------------------------------|-----------|--------------------------------|------------------|------------------------|
| 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%                  |