



Portfolio Watch

an update on the Diversified Investment Strategies

reasons for optimism amidst the gloom

edition: 30 June 2011



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reasons for optimism amidst the gloom

"We continue to encourage our clients to step back from the day-to-day noise and focus on the favourable medium-term outlook."



Jeff Rogers, ipac Chief Investment Officer

Portfolio returns over the last financial year were above long-term expectations. This outcome undoubtedly is a pleasant surprise to many investors who have been conditioned by ongoing "bad news" headlines to expect weak returns. In this letter, I provide ipac's assessment of the current market environment and the medium term investment outlook. I also describe how portfolios are positioned to take advantage of developing opportunities.

investors continue to exhibit heightened sensitivity to negative news

With the pain of the GFC still so vivid in the memory of market participants, it is not surprising that investors spend a disproportionate amount of their time looking for the source of the next potential crisis. In the past few months the debt crisis in peripheral Europe, especially Greece, was the principal pre-occupation of investors. At other times through the year, the focus has been on economic activity stalling in the US, emerging inflation concerns in China and rampant commodity and energy prices.

Equity markets have displayed considerable resilience against this challenging macro-economic backdrop. Ultimately sharemarket returns are driven by growth in company earnings. On this front, the news continues to be quite constructive. The recovery in earnings since the financial crisis has been quite impressive, driven first by aggressive corporate cost control and more recently by improved sales, especially by companies accessing emerging economies. While it is true that not all sectors of the economy are well-placed to grow their earnings, in aggregate the corporate outlook is quite favourable. With valuations still reflecting concern around macro-economic risks, the medium-term outlook for equity returns remains positive.

policymakers have the tools to deal with the challenges

Policymakers around the world do face a number of serious challenges. However, while it often takes the onset of crisis to spur policymakers into action, we should have some confidence that they have the tools to deal with the issues. Concern over the economic challenges has had a negative impact on confidence among consumers and investors. The International Monetary Fund has modestly downgraded its global growth forecast for 2011 from 4.4% to 4.3%. That said, it is worth noting that a growth outcome in excess of 4% would represent a strong expansion in global activity as compared to historical growth rates over the past two decades.

stronger Australian dollar a double-edged sword

Australia is one of the strongest and best-positioned of the advanced economies around the world, driven by high income from resource and energy exports and related investment programs. The very strong appreciation of the Australian dollar is one consequence of this activity. While this serves to reduce the cost of imported items, it does produce challenges for the trade-exposed sectors of the domestic economy including in-bound tourism and education services. The strength of the currency is forcing major adjustments to business models in a number of industries.

ipac's active portfolio positioning has delivered benefits

Through the year to 30 June 2011, we have continued to adjust the portfolio to take advantage of emerging opportunities and to protect against potential risks. In particular, we reduced the exposure to overseas Government bonds because yields were unusually low in the US and Japan, and credit quality was deteriorating in peripheral Europe. These decisions resulted in improved sector performance.

Our managers have taken advantage of the dislocation in credit markets after the GFC to deliver very strong returns in our credit portfolios and the Alternative Defensive sector. The changes we introduced in the structure of our Australian shares portfolio 18 months ago also made a strong contribution to performance.

Recently we introduced some enhancements within the International Shares sector of our portfolios. There are strong prospects for significant value-add from managers in International Shares in the period ahead, and we believe our managers are well-placed to take advantage of the opportunities.

portfolios well-positioned for solid gains over the medium term

Given current valuations, the prospects for corporate earnings over the next few years and the quality of the managers overseeing the funds, ipac believes that for the next few years our portfolios are positioned to continue deliver returns somewhat higher than longer-term expectations.

where we are seeing opportunities

Fixed Interest

As a direct consequence of our Fixed Interest segment restructure we have been able to lower the level of interest rate risk in the more defensive portfolios. This positioning is designed to reduce the adverse impact of rising bond rates on the capital value of the fixed interest assets. With bond yields edging higher we are maintaining this position.

The restructure also delivered benefits by permitting the alteration of the allocation between credit and government debt. This flexibility allowed the portfolios to have a higher allocation to credit and a lower allocation to government debt for the period. This has delivered good results since the implementation of the restructure.

ongoing research

ipac continues to conduct research into alternative investments. Having recently added a range of strategies in this area, we are currently assessing further opportunities and diversifying strategies.

International Shares

We believe that there will be good opportunities for larger capitalisation companies that have good earnings and manageable debt levels. When the recent uncertainties in the global economic environment dissipate we expect the share prices of global large capitalisation companies to 'catch-up' to the level of their earnings.

International Shares - sector enhancements

In May 2011, ipac made some enhancements to the International Shares sector.

Following a review, our research confirmed the opportunity to improve return outcomes by mandating select managers to operate **more concentrated investment mandates**. We concluded that:

- ~ there is evidence that bottom-up fundamental managers who operate mandates focused on their highest conviction ideas are more likely to outperform over the long-term
- ~ consideration of high conviction mandates in International Shares leads to a wider opportunity set of skilled managers applying diversifying processes and operating with different perspectives
- ~ it is appropriate to maintain diversified mandates for quantitative managers

Our research re-affirmed the importance of accessing **differentiated investment processes** and maintaining **style diversification** to improve the reliability of returns relative to benchmark. We concluded that:

- ~ while their significance might vary over time, the value and growth factors remain important style factors
- ~ the environment of ongoing macro-economic uncertainty is likely to persist for some time. 'Quality', defined in terms of balance sheet strength and stability of earnings, will remain an important style factor within the International Shares sector
- ~ there is an opportunity to improve consistency of sector returns by introducing a number of differentiated investment processes in the 'growth-oriented' segment

As a result of the review we restructured the 'growth-oriented' segment of the portfolio, introducing three new managers – Harding Loevner, Carnegie and AllianceBernstein Global Thematic Research – who operate differentiated investment processes delivered through concentrated investment portfolios. In addition, Pzena has been mandated to implement a concentrated value-oriented portfolio.

ipac believes that the revised structure is well placed to deliver strong returns relative to the benchmark and that the pattern of these returns will demonstrate greater reliability. For further information please refer to the Insight published in June.

portfolio activity

As manager of the Diversified Investment Strategies, ipac is constantly reviewing investments to ensure they remain on track to meet client objectives. This process involves conducting regular strategic asset allocation reviews and in-depth sector and manager reviews. The following table outlines key activity which has taken place in the portfolios over the past 12 months.

Date	Activity	Benefit
Jun-11	Alternative growth Allocation made to life finance.	Adds a source of return that is uncorrelated to major asset classes
Jun-11	International shares Appointed Carnegie Asset Management, Harding Loevner, Pzena Investment Management and AllianceBernstein Global Thematic Research to the sector.	Increase manager style and process diversification
May-11	Currency hedging The currency hedging for foreign assets was altered. The exposure to foreign currency was increased moderately.	Reduces long-term variability of returns and enhances medium-term diversified portfolio returns
Mar-11	DIS 4 Change of asset allocation to provide a clearer separation between the risk and return characteristics of the DIS 3 and DIS 4 portfolios. DIS 4 now has an allocation of 99% to growth assets rather than the previous 95% allocation.	To be essentially fully invested in growth assets
Nov-10	Alternative growth Appointed Canyon Capital Advisors to the sector.	Increase manager diversification and sources of return
Sep-10	Fixed interest Restructured the fixed interest segment of the active diversified portfolios into two new sectors (multi strategy fixed interest and government bonds). The two new sectors replace Australian fixed interest, global fixed interest and alternative income.	More targeted management of interest rate exposure
Aug-10	Alternative growth Appointed Nephila Capital and Gresham Property Funds Management to the sector.	Increase manager diversification

currency hedging changes

In May, ipac increased exposure to foreign currencies in diversified portfolios.

The change enhances diversified portfolio return prospects over the medium-term while also reducing the variability of returns. We have implemented the increase in exposure to foreign currencies by reducing the proportion of the International Shares sector hedged into \$A. The currency hedge ratio has been reduced from 50% to 34% hedged.

The typical diversified balanced fund now has a foreign currency exposure of 19.5%, versus 16.0% previously. For more information, please see the Newsnote published in May.

portfolio themes

Diversified Investment Strategy No 1

The portfolio produced a strong return over the 12 months to 30 June 2011. This portfolio has a large allocation to types of fixed interest and Australian Cash. These sectors performed well and provided the bedrock of the portfolio's performance. The returns from the growth assets, chiefly Australian Shares and International Shares, provided a boost to performance.

The restructure of the Fixed Interest segment in September 2010 has continued to deliver benefits. Within this segment the decision to structure the portfolio to be less sensitive to interest rate changes has delivered value add. Another benefit was the avoidance of peripheral European sovereign debt in countries such as Greece and Portugal.

Within the Government Bonds sector, we made a strategic decision to hold a larger proportion of Australian government bonds as opposed to other sovereign bonds because they provided a good yield that was likely to be more stable than equivalent European or United States debt.

In the Multi-Strategy Fixed Interest sector, a major driver of returns was a continued tightening of credit spreads throughout the year. This occurred as balance sheets of companies generally improved and investors sought yield. In addition, the receipt of income from the corporate bond coupons also assisted with overall performance.

The allocations to Alternative Growth and Alternative Defensive sectors also helped performance. Both of these sectors generated returns from a diverse range of strategies.

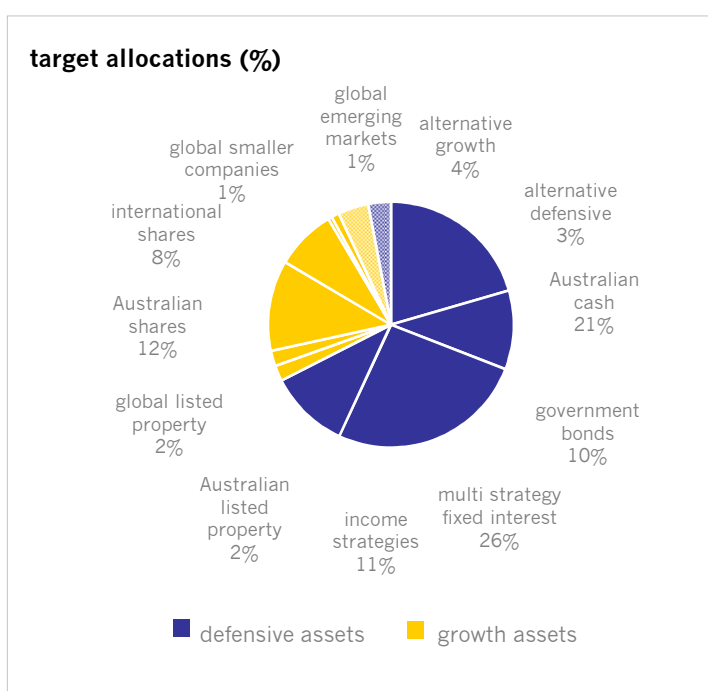
net of fund fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
cumulative	5.8	4.1	4.6	9.1	0.6

net of fund fees	2007 (%)	2008 (%)	2009 (%)	2010 (%)	CYTD (%)
discrete	5.1	-14.3	15.8	7.1	3.1

investment strategy

The portfolio aims to provide some growth over the short to medium term with smaller fluctuations in value than the other portfolios.

It does this by investing in a diversified mix of predominantly defensive assets such as cash and fixed interest using a range of specialist investment managers. A benchmark allocation of 30% will be invested in growth assets such as shares and listed property.



Diversified Investment Strategy No 2

Despite a year that saw an abundance of negative news flow, portfolio returns over the year to 30 June 2011 were positive. The Australian Shares managers outperformed their benchmark and assisted with lifting returns at the diversified fund level. Asset allocation also provided a good source of value add with exposures to the Alternative Defensive and Alternative Growth sectors providing good returns.

ipac made a modest change to its currency hedging position in the June quarter. Given the high level of the Australian dollar we increased our exposure to foreign currency. At the diversified level, in terms of its global assets, the portfolio now has 19.5% foreign asset exposure as compared to 16.0% previously.

ipac also implemented enhancements to the International Shares sector. The result of these changes is that we now have more concentrated approaches along with a wider diversity of manager styles. We expect the sector to produce increased and more consistent returns relative to the benchmark.

Deleveraging in the developed market economies is a headwind that will cause episodic bouts of investor fear. However, we believe that as policymakers work through the macro economic issues investors will gather more confidence and we should therefore see the value of growth assets increase. The portfolio is well positioned to benefit from this scenario.

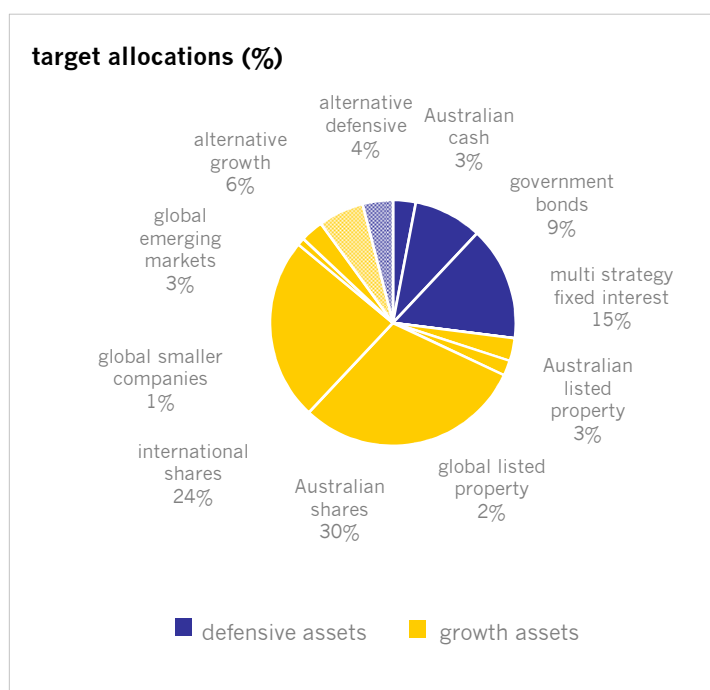
net of fund fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
cumulative	5.6	1.9	2.2	11.6	-1.0

net of fund fees	2007 (%)	2008 (%)	2009 (%)	2010 (%)	CYTD (%)
discrete	5.9	-28.4	21.7	5.5	2.2

investment strategy

The portfolio aims to provide moderate growth over the medium to long term with moderate fluctuations in value likely.

It does this by investing in a diversified mix of growth and defensive assets using a range of specialist investment managers. Growth assets will have a benchmark allocation of 70%, with the balance in defensive assets such as cash and fixed interest.



Diversified Investment Strategy No 3

The portfolio delivered a strong return for the year to 30 June 2011. The performance was driven by above average returns in growth assets, such as International Shares and Australian Shares. The first six months of the period generally saw strong increases across all sectors whereas during the last six months, most sectors moved sideways as natural disasters and economic shocks unsettled markets. Given the seriousness of some of these shocks, this portfolio has proved remarkably resilient.

ipac implemented enhancements to the International Shares sector. The result of these changes is that we now have more concentrated investment approaches with a wider diversity of manager styles. We expect the sector to produce increased and more consistent returns relative to the benchmark.

ipac made a modest change to its currency hedging position in the June quarter. Given the high level of the Australian Dollar we increased our exposure to foreign assets. At the diversified level, in terms of its global assets, the portfolio now has 24.8% foreign currency exposure as compared to 20.0% previously.

The portfolio remains well placed to benefit from a reduction in investor uncertainty and increased corporate earnings leading to an increase in growth asset values.

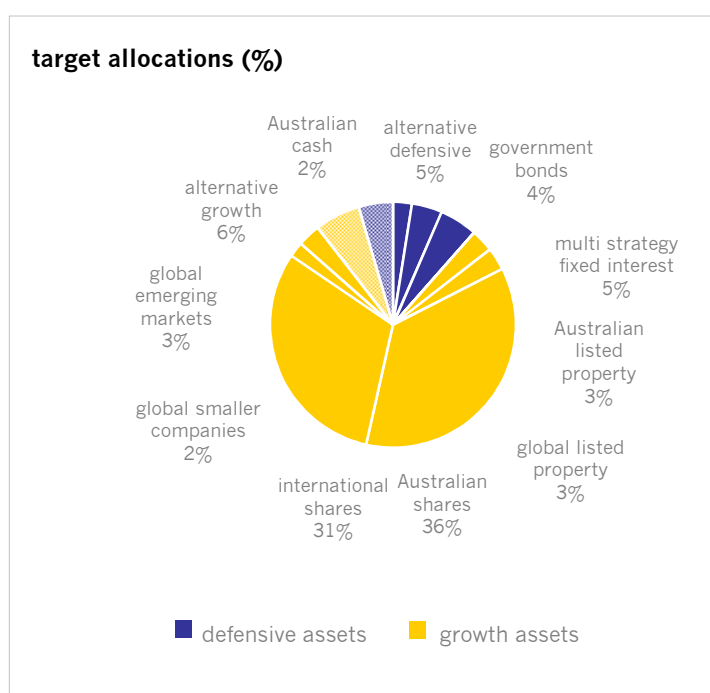
net of fund fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
cumulative	5.3	1.2	1.5	12.6	-1.5

net of fund fees	2007 (%)	2008 (%)	2009 (%)	2010 (%)	CYTD (%)
discrete	6.1	-32.3	24.3	4.9	1.9

investment strategy

The portfolio aims to provide moderate to high growth over the long term with larger fluctuations in value likely when compared to other portfolios (excluding DIS 4).

It does this by investing in a diversified mix of primarily growth assets using a specialist range of investment managers. Growth assets will have a benchmark allocation of 85%, with the balance in defensive assets such as cash and fixed interest.



Diversified Investment Strategy No 4

The portfolio delivered a positive return for the year to 30 June 2011. Strong gains in the first six months of the period helped underpin returns for the year. In the last six months, growth assets have generally moved sideways partly as a result of a series of economic and natural shocks.

This portfolio has a large allocation to Australian Shares and International Shares. These sectors both outperformed their respective benchmarks and helped drive overall performance. Exposure to the Alternative Defensive and Alternative Growth sectors also provided good returns.

ipac implemented enhancements in May 2011 to the international Shares sector. The result of these changes is that we now have more concentrated approaches with a wider diversity of manager styles. We expect the sector to produce increased and more consistent returns relative to the benchmark.

ipac made a modest change to its currency hedging position in the June quarter. Given the high level of the Australian Dollar we increased our exposure to foreign assets. At the diversified level, in terms of its global assets, the portfolio now has 31.7% foreign asset exposure as compared to 25.5% previously.

With the portfolio's high allocation to growth assets, such as International Shares and Australian Shares, we believe that the portfolio remains well placed to benefit from a reduction in investor uncertainty and an increase in corporate earnings which should lead to an increase in growth asset values.

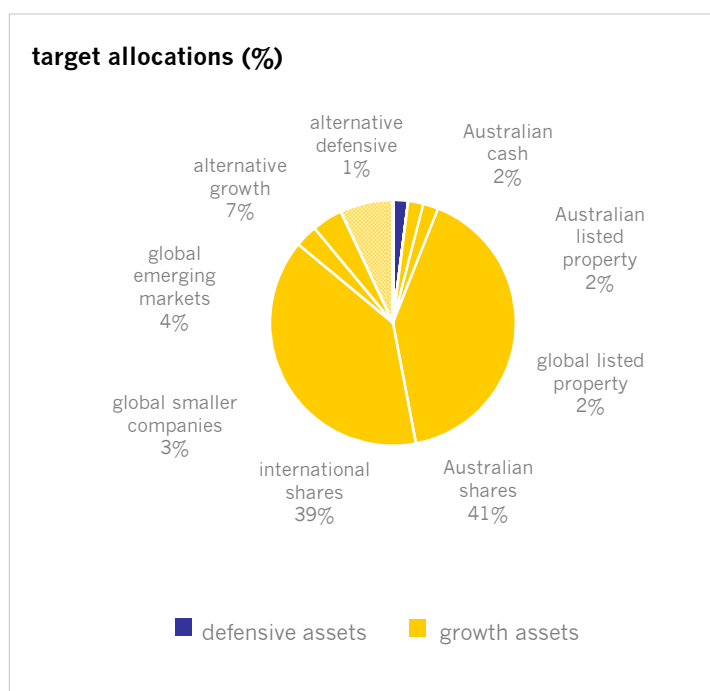
net of fund fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
cumulative	4.5	-0.4	-0.4	12.7	-2.2

net of fund fees	2007 (%)	2008 (%)	2009 (%)	2010 (%)	CYTD (%)
discrete	6.2	-37.6	24.4	4.5	1.2

investment strategy

The portfolio aims to provide high growth over the long term with larger fluctuations in value likely when compared to other portfolios.

It does this by investing in a diversified mix of growth assets using a specialist range of investment managers. Growth assets will have a benchmark allocation of 99%, with the balance in alternative defensive and cash.



Diversified Investment Strategy No 5

Despite a year that saw an abundance of negative news flow, portfolio returns over the year to 30 June 2011 were strong. The Australian Shares managers outperformed their benchmark and assisted with lifting returns at the diversified fund level. Asset allocation also provided a good source of value add with exposures to the Alternative Defensive and Alternative Growth sectors providing good returns.

The portfolio has a large allocation to the Alternative Defensive sector. This sector performed well over the whole period, but in the last three months in particular, it managed to provide a good return while certain other sectors suffered because of heightened volatility in international markets.

ipac implemented enhancements in May 2011 to the international Shares sector. The result of these changes is that we now have more concentrated approaches with a wider diversity of manager styles. We expect the sector to produce increased and more consistent returns relative to the benchmark.

The portfolio remains well placed to benefit from a reduction in investor uncertainty and increased corporate earnings leading to an increase in growth asset values.

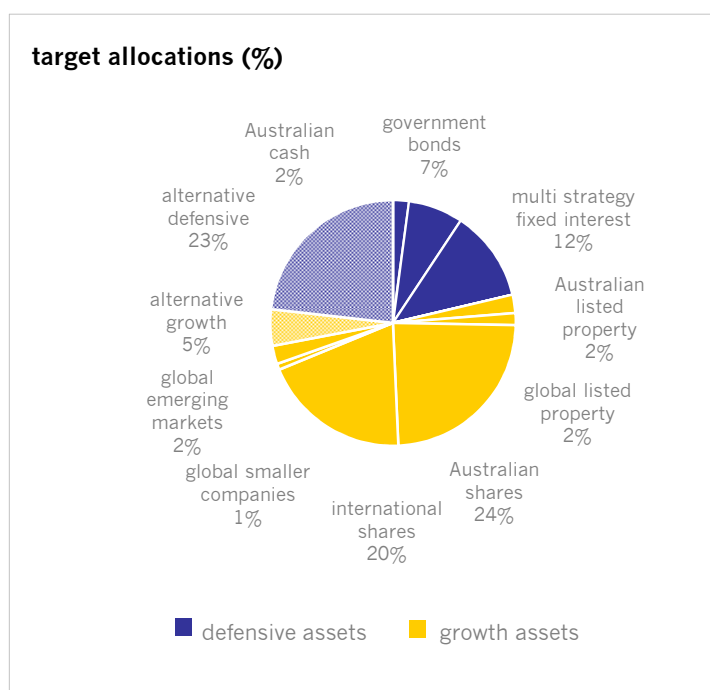
net of fund fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
cumulative	n/a	2.0	1.6	11.9	-0.2

net of fund fees	2007 (%)	2008 (%)	2009 (%)	2010 (%)	CYTD (%)
discrete	3.4	-26.4	18.1	6.7	3.0

investment strategy

The portfolio aims to provide moderate growth over the medium to long term with moderate fluctuations in value likely.

It does this by investing in a diversified mix of growth and defensive assets using a range of specialist investment managers. Broad diversification including exposure to alternative investments is used to help reduce fluctuations. Over 25% of the portfolio is invested in alternatives.



portfolio performance summary

net of fund fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
Diversified Investment Strategy No 1	5.8	4.1	4.6	9.1	0.6
Diversified Investment Strategy No 2	5.6	1.9	2.2	11.6	-1.0
Diversified Investment Strategy No 3	5.3	1.2	1.5	12.6	-1.5
Diversified Investment Strategy No 4	4.5	-0.4	-0.4	12.7	-2.2
Diversified Investment Strategy No 5	n/a	2.0	1.6	11.9	-0.2

net of fund fees	2007 (%)	2008 (%)	2009 (%)	2010 (%)	CYTD (%)
Diversified Investment Strategy No 1	5.1	-14.3	15.8	7.1	3.1
Diversified Investment Strategy No 2	5.9	-28.4	21.7	5.5	2.2
Diversified Investment Strategy No 3	6.1	-32.3	24.3	4.9	1.9
Diversified Investment Strategy No 4	6.2	-37.6	24.4	4.5	1.2
Diversified Investment Strategy No 5	3.4	-26.4	18.1	6.7	3.0

Notes applying to pages 5 - 10:

Performance is net of all fund fees and calculated using month-end hard close exit prices.

Assumes distributions are reinvested and tax is not deducted.

Asset allocations may not add up to 100% due to rounding.

International exposures for diversified portfolios are generally fully hedged to the Australian Dollar, with the exception of global shares which has an approximate 34% currency hedge to the Australian Dollar.

analysis of sector performance

debt markets

what happened in the market

The Reserve Bank of Australia has left the official cash rate unchanged at 4.75% since November 2010. At that time, the RBA signalled further interest rate increases would be necessary to head off inflationary pressure. Thus far they have not increased interest rates, as evidence emerges that parts of the economy outside the booming mining sector are not growing as fast as anticipated.

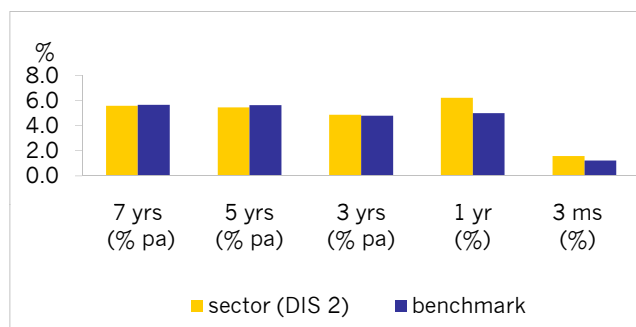
There was a divergence in government monetary policies over the period. Official interest rates remained near zero in many developed economies, whereas emerging economies generally raised interest rates to control inflation. Over the entire 12 month period, bond yields around the world moderately increased. US Treasury 10 year yields increased from 2.93% to 3.16%, German government 10 year yields rose from 2.57% to 3.02% and Australian government 10 year bond yields increased from 5.09% to 5.21%.

Over the past 12 months, credit markets improved as the balance sheets of companies strengthened. This tightened credit spreads as demand for corporate bonds increased.

what drove sector performance in the portfolios

Australian cash

The sector portfolio outperformed its benchmark in the 12 months to 30 June 2011. The outperformance resulted from an exposure to a combination of credit securities representing about 17% of the portfolio. These credit securities are being wound down to leave a portfolio comprising of bank bills only. In time, performance will therefore track the benchmark narrowly.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	5.6	5.4	4.9	6.2	1.6
benchmark	5.6	5.6	4.8	5.0	1.2

In September 2010 ipac restructured the Fixed Interest segment of the diversified portfolios to better meet the needs of clients. The changes include the introduction of two new sectors (Government Bonds and Multi Strategy Fixed Interest) as well as new strategies and managers. These sectors replace Australian Fixed Interest, Global Fixed Interest and Alternative Income, and enable ipac to better meet the needs of each diversified portfolio by more targeted management of interest rate exposure.

The following page shows the performance of the new sector portfolios from 1 October 2010. For longer term debt market performance, please contact ipac Investment Services.

Reflects performance of sectors underlying DIS 2.

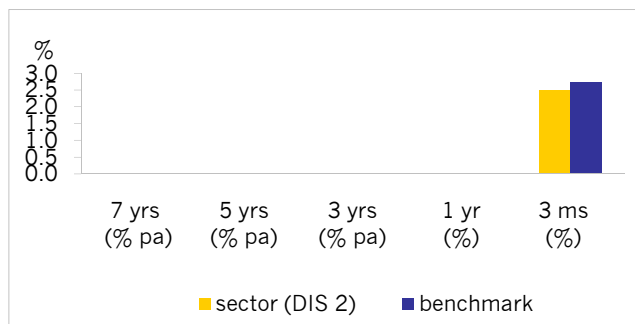
Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

debt markets

government bonds

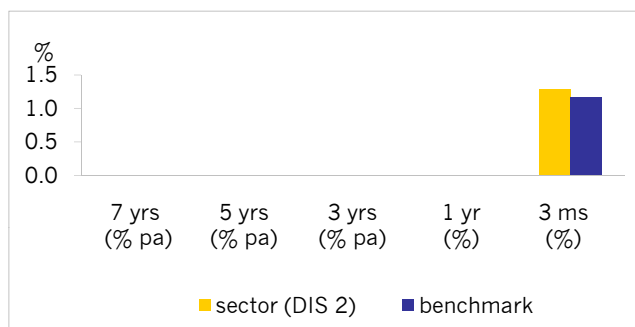
ipac implemented this new sector in September 2010 therefore 12 month performance is not available. The sector portfolio narrowly underperformed its benchmark in the three months to 30 June 2011. Our managers avoided debt in peripheral European countries such as Greece, Ireland and Portugal. This helped performance. The debt crisis in Europe continues to evolve and will continue to hold investors attention in the coming months. After increasing for the first half of the 12 month period, interest rates generally declined over the last quarter because of turbulence in Europe and disappointing economic data from the US.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	n/a	n/a	n/a	n/a	2.5
benchmark	n/a	n/a	n/a	n/a	2.7

multi strategy fixed interest

ipac implemented this new sector in September 2010 therefore 12 month performance data is not yet available. The sector performed in line with its benchmark in the three months to 30 June 2011. Global credit spreads widened moderately during the last three months because of increased market turbulence. Despite this, the absolute return strategies provided a boost to overall performance. Relatively stable corporate conditions helped keep income from corporate bonds reliable. The sector's performance also benefited from positive contributions from credit and currency selection.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	n/a	n/a	n/a	n/a	1.3
benchmark	n/a	n/a	n/a	n/a	1.2

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

listed property

what happened in the market

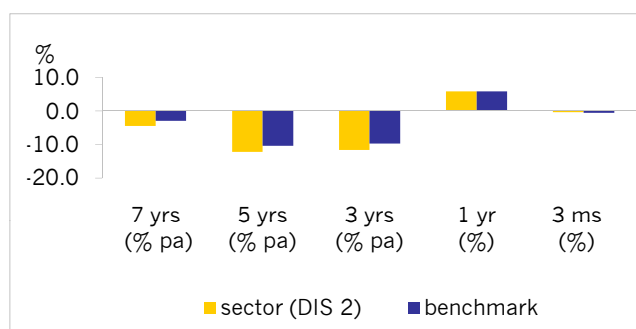
In the 12 month period to 30 June 2011, global listed property performed strongly. In both developed and emerging economies, modest supply and recovering demand helped improve real estate fundamentals. Capital continued to be broadly available and attractively priced. Most listed real estate companies have strengthened their balance sheets.

In Australia, returns from listed property were more muted reflecting a sharemarket that didn't rise as much as most international sharemarkets. In the US, consumer spending picked up at a higher rate than expected in the period. This helped listed property exposed to the Retail sector. In Hong Kong, government measures to curb the rising prices in its property market were more mild than anticipated. This eased investor concerns as the environment in Hong Kong remained broadly supportive of the sector. Japan also had strong performance in the year. This performance was attributed to the Bank of Japan's stimulus program. Along with government bonds, the stimulus program directly purchased JREIT shares, boosting prices.

what drove sector performance in the portfolios

Australian listed property

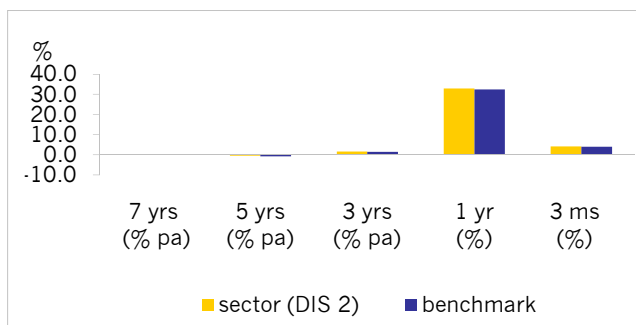
The multi-manager listed real estate securities portfolio performed in line with its benchmark for the 12 months to 30 June 2011. The targeted mandate for the largest trusts in the benchmark delivered a return in line with its customised benchmark. The higher conviction mandate covering a wider universe of property trusts provided mixed relative performance over the year, mainly due to its more defensive stock selection lagging the market rally in early 2011 when investor confidence was boosted by a good reporting season and upbeat earnings guidance.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	-4.4	-12.2	-11.6	5.9	-0.3
benchmark	-2.9	-10.3	-9.7	5.9	-0.5

global listed property

The portfolio outperformed its benchmark for the 12 months to 30 June 2011. Strong absolute returns were accrued over the year. The portfolio's holdings found favour with investors as real estate fundamentals improved and operating earnings increased. The portfolio's strong base of good investment properties, combined with the potential for improvement, has proven attractive relative to the broader market. Contributors to the favourable stock selection over the year were as diverse as storage facilities in the USA (Public Storage) and retail in Europe (Unibail-Rodamco).



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	n/a	-0.5	1.6	33.0	4.2
benchmark	n/a	-0.8	1.4	32.5	4.0

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

Australian shares

what happened in the market

The Australian sharemarket increased 11.9% in the 12 months to 30 June 2011. The Australian economy continued to expand. However, segments of the economy are moving at different speeds.

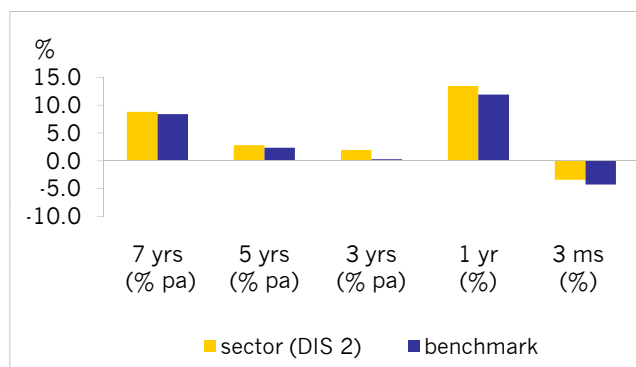
The resource sector continued to benefit from high prices and strong global demand for commodities. This environment is very positive for resource companies. Over the year, resource companies strengthened their balance sheets, participated in high levels of private investment and sought opportunities for mergers and acquisitions.

On the other hand, the strong Australian Dollar has placed cost pressures on non-resource exporters and the in-bound tourism industry. Companies in these sectors have consequently suffered. The high prices of commodities, high interest rates and strong economic growth underpinned a surge in the value of the Australian Dollar. In the year, the Australian Dollar rose 27.8% against the US Dollar. Consumer Discretionary and service suppliers have also seen growth prospects dampen as consumers increasingly look to save rather than spend.

what drove sector performance in the portfolios

Australian shares

The portfolio outperformed its benchmark for the 12 months to 30 June 2011. The positive relative performance was sourced from a range of active positions that reflected different approaches and insights of the underlying managers. Positions taken based on fundamental insights provided strong value-add over the year. Stock selection was one of the main drivers of the returns. Highlights of the good stock selection were Telecom NZ and Iluka Resources. Telecom NZ rallied significantly after it reached an agreement to build the bulk of the ultrafast broadband network in New Zealand. Iluka Resources' share price moved upwards after they agreed higher pricing with customers.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	8.8	2.8	2.0	13.4	-3.4
benchmark	8.4	2.4	0.3	11.9	-4.3

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

global shares

what happened in the market

All sectors in the MSCI World Index performed positively in the year, although the end of the period saw some weakness. The 12 month period through to 30 June 2011, saw improved economic growth and strong corporate earnings.

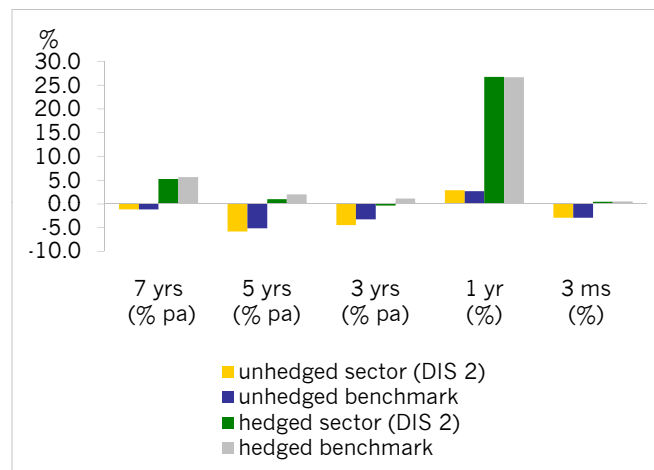
The companies that comprise the S&P 500 exceeded their average earnings-per-share expectations. In addition, these companies are expected to earn 18% more in 2011 than 2010. This good corporate performance underpinned positive investor sentiment. Over the past 12 months, in local currency terms, the S&P 500 Index rose 28.1%, the Hang Seng Index rose 11.3% and the FTSE 100 Index rose 20.9%. Japan rose less strongly, with the Nikkei up 7%, mainly because of the earthquake in March which had a detrimental impact on economic activity both directly and indirectly.

Sharemarkets took steps backwards in April and May as European debt issues, specifically in Greece, and slower growth figures from the US captured headlines. Despite this, economic growth forecasts remain above average.

what drove sector performance in the portfolios

international shares

The portfolio modestly outperformed its benchmark for the 12 months to 30 June 2011. The outperformance was partly sourced from active position taking in selected stocks. The portfolio's quantitative approaches have also been a steady source of value add. The portfolio's hedged return reflects the strong local currency performance of equity markets. Recent manager changes within the International Shares portfolio reflect the implementation of enhancements to its design and management that aim to deliver increased returns and improve the consistency of outcomes relative to its benchmark. For more information see the Insight and Newsnote published in June.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
unhedged sector	-1.2	-5.8	-4.5	2.8	-3.0
unhedged b'mark	-1.2	-5.1	-3.3	2.7	-2.9
hedged sector	5.3	1.0	-0.4	26.8	0.4
hedged b'mark	5.7	2.0	1.1	26.7	0.5

Reflects performance of sectors underlying DIS 2.

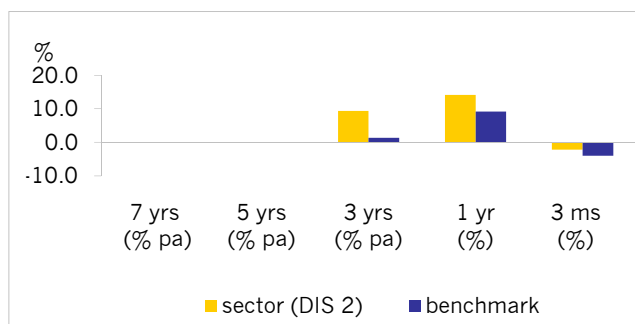
Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

global shares

global smaller companies

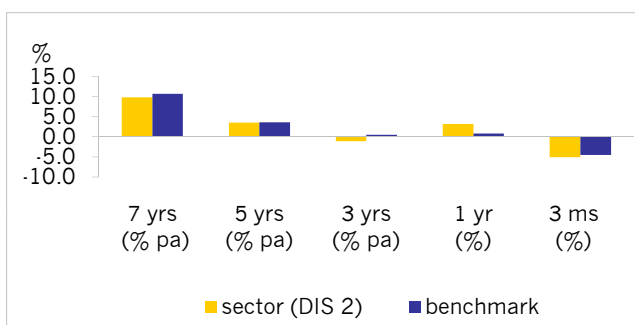
The portfolio strongly outperformed its benchmark for the 12 months to 30 June 2011. The outperformance was driven predominantly by stock selection, with contribution from country and sector exposures. Combining the different investment processes of the underlying managers has been a positive and has led to the capturing of insights generated by both qualitative ideas and quantitative modeling. The systematic approach of Arrowstreet yielded benefits from its valuation-oriented signals, while Pyramis' vast analyst research capability generated fundamental ideas that delivered outperformance.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	n/a	n/a	9.4	14.1	-2.2
benchmark	n/a	n/a	1.4	9.2	-3.9

global emerging markets

The portfolio outperformed its benchmark for the 12 months to 30 June 2011. The outperformance was driven by both security selection and country allocation. Noteworthy tilts were an overweight exposure to Russia and an underweight to India that provided strong value add during the first quarter of 2011. Russia's energy exposure attracted investor interest during the period of heightened Middle East uncertainty and increasing oil prices. Stock selection gains were widespread but stock holdings in Korea, China, Russia and Taiwan boosted returns.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	9.8	3.5	-1.1	3.2	-5.1
benchmark	10.7	3.6	0.5	0.8	-4.5

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

alternative investments

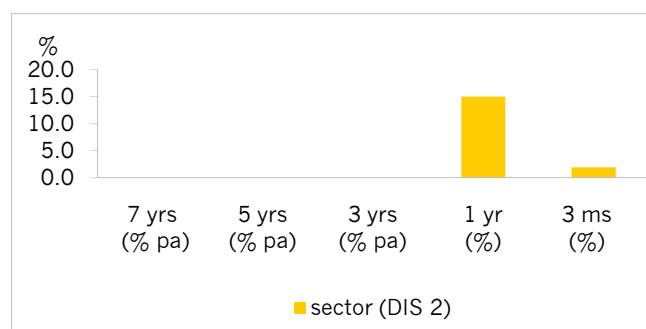
Alternative investments encompass a wide variety of investment opportunities that fall outside the mainstream areas of shares, fixed interest and property. While investments in traditional asset classes are the appropriate foundation for client portfolios, the addition of alternatives will improve the expected risk-return profile of portfolios by providing increased diversification through low correlation to mainstream asset classes. ipac has categorised alternative investments into two sectors: alternative growth and alternative defensive.

	alternative growth	alternative defensive
role in portfolio	return seeking	risk reducing
expected return	similar to shares	between bonds and shares
expected volatility	two thirds of shares	one third of shares
correlation to shares	moderate	low
main driver of return	market exposure	manager skill

what drove sector performance in the portfolios

alternative growth

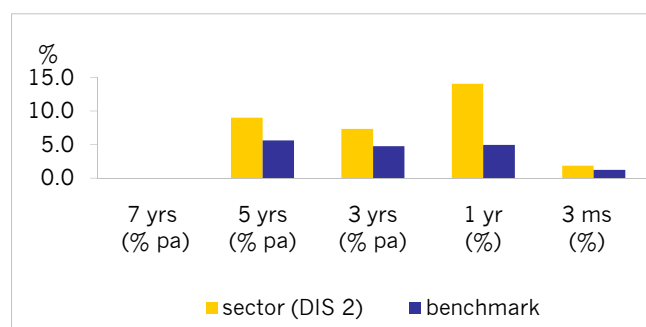
The Alternative Growth sector performed strongly over the year to 30 June 2011. The main contributors to this return were our investments in non-agency residential mortgage-backed securities and high yield credit. Recently we have added a new strategy to the sector. It is a sub-strategy of insurance linked securities, called life finance. This investment will further increase the diversity of return sources within the sector.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	n/a	n/a	n/a	15.0	2.0

alternative defensive

The Alternative Defensive sector produced strong performance over the 12 month period to 30 June 2011. Within the sector, underlying investments include a fund of hedge funds, a quantitative multi-strategy hedge fund and a high yield credit hedge fund. Market conditions over the past 12 months were variable for hedge fund strategies. Credit, distressed securities and convertible arbitrage were the best strategies over the period. The results posted by different strategies in different market conditions demonstrate the importance of maintaining exposure to a well diversified portfolio of hedge fund strategies.



gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector	n/a	9.0	7.3	14.1	1.9
benchmark	n/a	5.6	4.8	5.0	1.2

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

benchmarks

Australian cash	UBSA Bank Bill Index
government bonds	Customised benchmark
multi strategy fixed interest	Customised benchmark
Australian listed property	S&P/ASX 300 A-REIT Index
¹ global listed property	UBS Global Investors (Hedged) Index in AUD
Australian shares	S&P/ASX 300 Accumulation Index
international shares	MSCI World ex Australia (Unhedged and Hedged in AUD) Indices
² global smaller companies	MSCI World Small Cap Index in AUD
global emerging markets	MSCI Emerging Markets Index in AUD
alternative growth	n/a
alternative defensive	UBSA Bank Bill Index

¹ The global listed property index commenced in January 2006. Sector benchmark prior to January 2006 is the customised UBS Global Investors Index (net div reinvested) in \$A hedged/Salomon Property & Utilities Index.

² The global smaller companies index commenced in October 2009. Sector benchmark prior to this date is the S&P/Citigroup World <US\$1.5bn Cap Range Index (net div reinvested) in AUD unhedged, which commenced in May 2006. Sector benchmark prior to May 2006 was the customised S&P/Citigroup World <US\$1.5bn Cap Range Index (net div reinvested) in AUD unhedged/Citigroup Fixed Market Cap <\$1.5bn (World ex EM) in AUD.

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

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Supplementary Data

to accompany Portfolio Watch

Diversified Investment Strategies

edition: 30 June 2011



portfolios provide access to specialist managers

The Diversified Investment Strategies draw upon the specialist skills of some of the best fund managers in the world. The portfolios provide access to a number of different investment styles and approaches, which means certain managers will perform more strongly at different points in the investment cycle. By carefully blending a combination of managers with different approaches, the aggregate portfolio has minimal unintended style bias, and benefits from a potentially smoother investment journey over a full market cycle.

Australian cash



government bonds





PIMCO

multi strategy fixed interest



Morgan Stanley

PIMCO

income strategies




Australian listed property




global listed property






Australian shares









international shares













global smaller companies

global emerging markets





alternative growth







alternative defensive





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portfolios provide access to specialist managers

target allocations (%)	DIS 1	DIS 2	DIS 3	DIS 4	DIS 5
Australian cash					
Macquarie	20.5	3.0	2.5	2.0	2.1
government bonds					
Antares	1.2	1.0	0.4		0.8
Macquarie	5.8	5.0	2.2		4.0
Old Mutual	1.4	1.2	0.5		1.0
PIMCO	2.1	1.8	0.8		1.4
multi strategy fixed interest					
Kapstream	4.3	2.5	0.8		2.0
Morgan Stanley	15.3	8.8	2.9		7.0
PIMCO	6.4	3.7	1.2		3.0
income strategies					
Goldman Sachs	0.4				
Macquarie	10.2				
Australian listed property					
Ankura	0.5				
Legg Mason	0.5				
Perennial	0.4	1.3	1.3	0.8	1.0
Vanguard	0.6	1.7	1.7	1.2	1.4
global listed property					
CBRE	0.5	0.5	0.8	0.5	0.4
LaSalle	0.5	0.5	0.8	0.5	0.4
Vanguard	1.0	1.0	1.5	1.0	0.8
Australian shares					
Ankura	3.2				
BlackRock Australia	2.2	12.0	14.4	16.4	7.7
GMO	1.3	7.2	8.6	9.8	4.6
Lazard	1.0	5.4	6.5	7.4	4.7
Legg Mason	3.2				
Maple-Brown Abbott					3.6
Schroders	1.0	5.4	6.5	7.4	3.5
international shares					
AllianceBernstein Thematic	0.4	1.4	1.9	2.3	0.9
Arrowstreet	0.8	2.6	3.3	4.2	1.7
Carnegie	0.6	2.0	2.6	3.3	1.3
Enhanced Investment Technologies	1.4	4.8	6.2	7.8	3.1
Epoch	1.0				3.9
Harding Loevner	0.9	3.2	4.1	5.1	2.1
International shares - index	1.4	4.8	6.2	7.8	3.1
LSV	0.6	2.0	2.6	3.3	1.3
Pzena	0.9	3.2	4.1	5.1	2.1
global smaller companies					
Arrowstreet	0.2	0.4	0.8	1.2	0.3
Dimensional	0.1	0.2	0.4	0.6	0.2
Pyramis	0.2	0.4	0.8	1.2	0.3
global emerging markets					
Esemplia	0.4	1.2	1.2	1.6	1.0
Genesis	0.2	0.6	0.6	0.8	0.5
GMO	0.4	1.2	1.2	1.6	1.0
alternative growth					
Canyon	0.2	0.3	0.4	0.6	0.3
Life Finance	0.5	0.8	1.0	1.3	0.6
Gresham	0.1	0.1	0.1	0.2	0.1
Macquarie	0.1	0.1	0.2	0.2	0.1
Nephila	0.4	0.6	0.8	1.0	0.5
TCW	0.7	1.1	1.4	1.8	0.9
Vanguard	2.0	3.0	2.0	2.0	2.4
alternative defensive					
BlackRock Australia	0.9	1.2	1.3		6.9
Macquarie	0.2	0.3	0.3		1.6
Oak Hill	0.3	0.4	0.4		2.2
Prisma	1.6	2.2	2.4		12.5
total	100.0	100.0	100.0	100.0	100.0

International exposures are generally fully hedged to the Australian Dollar, except for global shares which has approximately 34% currency hedge to the Australian Dollar.

International shares - index has an allocation to BlackRock and Vanguard.

manager performance for the Diversified Investment Strategies

DIS 2 sectors

Australian cash

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	5.6	5.4	4.9	6.2	1.6
benchmark	5.6	5.6	4.8	5.0	1.2
managers within this sector:					
Macquarie	n/a	n/a	n/a	6.2	1.6

government bonds

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	n/a	n/a	n/a	n/a	2.5
benchmark	n/a	n/a	n/a	n/a	2.7
managers within this sector:					
Antares	n/a	n/a	n/a	n/a	2.9
benchmark	n/a	n/a	n/a	n/a	2.9
Macquarie	n/a	n/a	n/a	n/a	2.5
benchmark	n/a	n/a	n/a	n/a	2.6
Old Mutual	n/a	n/a	n/a	n/a	1.6
PIMCO	n/a	n/a	n/a	n/a	3.0
benchmark	n/a	n/a	n/a	n/a	2.9

multi strategy fixed interest

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	n/a	n/a	n/a	n/a	1.3
benchmark	n/a	n/a	n/a	n/a	1.2
managers within this sector:					
Morgan Stanley	n/a	n/a	n/a	n/a	0.6
benchmark	n/a	n/a	n/a	n/a	0.8
PIMCO (global corporate b	n/a	n/a	n/a	n/a	1.4
benchmark	n/a	n/a	n/a	n/a	1.2
Kapstream	n/a	n/a	n/a	n/a	1.5
PIMCO (absolute return str	n/a	n/a	n/a	n/a	1.7
benchmark	n/a	n/a	n/a	n/a	1.2

income strategies

the following manager(s) also appear in other portfolios:					
Goldman Sachs	n/a	n/a	n/a	11.7	-1.1
Macquarie	n/a	n/a	n/a	7.7	2.3

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

manager performance for the Diversified Investment Strategies

Australian listed property

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	-4.4	-12.2	-11.6	5.9	-0.3
benchmark	-2.9	-10.3	-9.7	5.9	-0.5

managers within this sector:

Due to the nature of this sector's construction manager performance is not reported on an individual basis.

global listed property

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	n/a	-0.5	1.6	33.0	4.2
benchmark	n/a	-0.8	1.4	32.5	4.0

managers within this sector:

CBRE	n/a	0.8	3.0	31.9	4.6
LaSalle	n/a	-2.5	-0.9	34.5	4.3
Vanguard	n/a	n/a	n/a	32.5	4.1

Australian shares

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	8.8	2.8	2.0	13.4	-3.4
benchmark	8.4	2.4	0.3	11.9	-4.3

managers within this sector:

BlackRock Australia	8.8	2.2	-0.1	14.2	-3.2
GMO	n/a	n/a	n/a	11.7	-4.3
Lazard	n/a	n/a	n/a	12.9	-2.9
Schroders	10.8	4.7	5.9	14.6	-3.0

the following manager(s) also appear in other portfolios:

Ankura	n/a	n/a	n/a	10.8	-4.2
Lazard*	n/a	n/a	n/a	12.7	-1.6
Legg Mason	n/a	n/a	n/a	8.9	-3.7
Maple-Brown Abbott	n/a	n/a	n/a	7.1	-4.9

* additional Lazard investment for DIS 5.

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

manager performance for the Diversified Investment Strategies

international shares - unhedged

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
unhedged sector (DIS 2)	-1.2	-5.8	-4.5	2.8	-3.0
unhedged benchmark	-1.2	-5.1	-3.3	2.7	-2.9
managers within this sector:					
AllianceBernstein Thematic	n/a	n/a	n/a	n/a	n/a
Arrowstreet	n/a	n/a	n/a	0.6	-2.1
Carnegie	n/a	n/a	n/a	n/a	n/a
Enhanced Investment Techn	n/a	n/a	n/a	6.6	-0.8
Harding Loevner	n/a	n/a	n/a	n/a	n/a
International Shares - Index	n/a	n/a	n/a	3.1	-2.6
LSV	n/a	-4.2	-0.2	4.2	-1.9
Pzena	n/a	n/a	n/a	n/a	n/a
the following manager(s) also appear in other portfolios:					
Epoch	n/a	n/a	n/a	4.5	0.1

global smaller companies

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	n/a	n/a	9.4	14.1	-2.2
benchmark	n/a	n/a	1.4	9.2	-3.9
managers within this sector:					
Arrowstreet	n/a	n/a	10.7	15.6	-0.4
Dimensional	n/a	n/a	n/a	8.0	-4.1

global emerging markets

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	9.8	3.5	-1.1	3.2	-5.1
benchmark	10.7	3.6	0.5	0.8	-4.5
managers within this sector:					
Esemplia	9.0	2.5	-2.6	-0.9	-6.8
Genesis	n/a	n/a	n/a	n/a	-2.9

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

manager performance for the Diversified Investment Strategies

alternative growth

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	n/a	n/a	n/a	15.0	2.0

alternative growth

Due to the nature of this sector's construction manager performance is not reported on an individual basis.

alternative defensive

gross of fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
sector (DIS 2)	n/a	9.0	7.3	14.1	1.9
benchmark	n/a	5.6	4.8	5.0	1.2

alternative defensive

Due to the nature of this sector's construction manager performance is not reported on an individual basis.

Reflects performance of sectors underlying DIS 2.

Figures are calculated by aggregating daily performance of underlying strategies using actual weights.

Benchmark details are provided on the final page of this document.

asset allocations

actual allocations (%)	DIS 1	DIS 2	DIS 3	DIS 4	DIS 5
Australian cash	28.0	2.0	2.1	1.9	0.3
government bonds	9.7	9.3	4.2	0.0	7.6
multi strategy fixed interest	24.0	15.3	5.4	0.0	12.4
income strategies	9.3	0.0	0.0	0.0	0.0
Australian listed property	1.6	3.1	3.4	2.3	2.5
global listed property	1.7	2.7	3.5	2.5	2.6
Australian shares	10.9	29.6	35.5	40.0	23.7
international shares (1)	7.9	24.2	30.6	39.2	18.8
global smaller companies	0.8	1.7	3.1	3.1	1.5
global emerging markets	0.9	3.1	2.5	4.0	2.1
alternative growth	2.5	4.9	4.9	6.6	3.3
alternative defensive	2.7	4.0	4.9	0.2	25.2
total	100.0	100.0	100.0	100.0	100.0

(1) international shares breakdown

actual allocations (%)	DIS 1	DIS 2	DIS 3	DIS 4	DIS 5
	actual	actual	actual	actual	actual
international shares (unhedged)	4.3	15.0	19.1	25.0	11.9
international shares (hedged)	3.6	9.3	11.5	14.3	6.9
total	7.9	24.2	30.6	39.2	18.8

International exposures are generally fully hedged to the Australian Dollar, with the exception of global shares which has an approximate 34% currency hedge. Allocations as at quarter end, and may not add up to 100% due to rounding.

geographic exposure

international shares	sector (%)	benchmark (%)
North America	50.9	57.0
Europe (excl UK)	21.0	21.4
UK	12.2	10.0
Asia (excl Japan)	2.7	2.2
Japan	8.3	9.4
Emerging markets	0.0	0.0
Other	4.9	0.0
total	100.0	100.0

global listed property	sector (%)	benchmark (%)
North America	49.4	46.0
Europe (excl UK)	10.5	10.7
UK	6.8	5.7
Japan	7.4	10.0
Asia ex-Japan	25.2	27.6
Other	0.8	0.0
total	100.0	100.0

government bonds	sector (%)
Australia	72.1
North America	12.8
Europe (excl UK)	12.5
UK	0.5
Asia	0.0
Japan	0.5
Emerging markets	0.4
Other	1.2
total	100.0

global emerging markets	sector (%)	benchmark (%)
Latin America	18.7	23.1
Asia ex-Japan	47.2	58.5
EMEA & other	34.1	18.4
total	100.0	100.0

multi strategy fixed interest	sector (%)
Australia	10.4
North America	55.5
Europe (excl UK)	27.2
UK	5.7
Asia	0.0
Japan	0.1
Emerging markets	1.0
Other	0.1
total	100.0

industry exposure

Australian shares	sector (%)	benchmark (%)
Consumer Discretionary	5.2	4.0
Consumer Staples	7.9	8.5
Energy	6.5	7.5
Financials excl A-REITs	30.2	30.7
Healthcare	3.4	3.3
Industrials	8.5	6.9
IT	0.7	0.7
A-REITs	3.5	6.0
Materials	28.2	27.7
Telecoms	4.4	3.4
Utilities	1.5	1.3
total	100.0	100.0

international shares	sector (%)	benchmark (%)
Consumer Discretionary	12.0	10.9
Consumer Staples	10.1	9.9
Energy	11.4	11.6
Financials	17.7	18.6
Healthcare	9.5	10.1
Industrials	11.2	11.8
IT	14.3	11.6
Materials	7.5	7.3
Telecoms	4.2	4.3
Utilities	2.0	3.9
total	100.0	100.0

Australian listed property	sector (%)	benchmark (%)
Commercial	7.8	8.2
Diversified	35.1	36.7
Hotel	0.0	0.0
Industrials	8.6	6.9
Retail	47.3	48.2
Other	1.2	0.0
total	100.0	100.0

top holdings

Australian shares	allocation (%)
BHP BILLITON LTD	11.1
COMMONWEALTH BANK OF AUST	6.8
WESTPAC BANKING CORP	5.7
NATIONAL AUSTRALIA BANK L	5.6
AUST AND NZ BANKING GROUP	5.5
WOOLWORTHS LTD	3.6
TELSTRA CORPORATION LTD	3.5
WESFARMERS LTD	2.8
RIO TINTO LIMITED	2.7
NEWCREST MINING LTD	2.3
WOODSIDE PETROLEUM LTD	2.1
BHP BILLITON PLC	2.0
BRAMBLES LTD	1.9
CSL	1.5
SUNCORP GROUP LTD	1.5
ORIGIN ENERGY	1.4
QBE INSURANCE GROUP LTD	1.4
NEWS CORP CDI CLASS B	1.3
WESTFIELD GROUP	1.2
ALUMINA LTD	1.1

global smaller companies	allocation (%)
VALEO	0.9
MFA FINANCIAL INC	0.8
AMERICAN CAPITAL LTD	0.8
ALASKA AIRGROUP INC	0.8
DILLARDS INC CL A	0.7
PDL BIOPHARMA INC	0.6
TENNECO INC	0.6
RIGHTMOVE GROUP PL	0.5
ARIBA INC	0.5
RUDDICK CORP	0.5

international shares	allocation (%)
EXXON MOBIL CORP	1.2
VODAFONE GROUP PLC	1.2
APPLE INC	1.1
HEWLETT PACKARD CO	1.0
BRITISH AMERICAN TOBACCO PLC	1.0
NESTLE SAREG	1.0
MICROSOFTCORP	0.8
STANDARD CHARTERED PLC	0.7
PHILIP MORRIS INTERNATIONAL	0.7
GAZPROM O A O	0.7
CANON INC	0.7
GOOGLE INCCL A	0.7
ABBOTT LABORATORIES	0.7
HDFC BANK LTD	0.7
JPMORGAN CHASE + CO	0.7
BP PLC	0.7
HSBC HOLDINGS PLC	0.6
GLAXOSMITHKLINE PLC	0.6
SCHLUMBERGER LTD	0.6
BAE SYSTEMS PLC ORD	0.6

global emerging markets	allocation (%)
SAMSUNG ELECTRONIC	3.8
VALE SA SP ADR	2.6
SHINHAN FINANCIAL	2.5
ITAU UNIBANCO BA MULTIPLO SA	2.3
AMERICA MOVIL SAB DE CV	2.1
GAZPROM	1.8
SBERBANK CLS	1.8
IND + COMM BK OF CHINA	1.7
ANGLO AMERICAN	1.6
CHINA CONSTRUCTION BANK H	1.5

top holdings

Australian listed property	allocation (%)
WESTFIELD GROUP	26.5
WESTFIELD RETAIL TRUST	12.7
STOCKLAND	12.2
GEN PROPERTY TST	8.2
GOODMAN GROUP	7.4
MIRVAC GROUP	7.2
CFS RETAIL PROPERTY TRUST	6.4
DEXUS PROPERTY GROUP	6.2
COMMONWEALTH PROPERTY OFFICE	3.5
INVESTA OFFICE FUND	2.9

global listed property	allocation (%)
SIMON PROPERTY GROUP INC	5.0
UNIBAIL RODAMCO S.A.	2.8
WESTFIELD GROUP	2.5
VORNADO REALTY TRUST	2.5
EQUITY RESIDENTIAL	2.4
AVALONBAYCOMMUNITIES INC	2.4
PUBLIC STORAGE	2.2
BOSTON PROPERTIES INC	2.1
PROLOGIS INC	2.0
MITSUBISHI ESTATE CO LTD	1.8
STOCKLAND	1.7
SUN HUNG KAI PROPS	1.6
BRITISH LAND CO PLC	1.5
GENERAL GROWTH PROPERTIES	1.4
HEALTH CARE REIT INC	1.4
HCP INC	1.3
HOST HOTELS + RESORTS INC	1.3
WESTFIELD RETAIL TRUST	1.2
MITSUI FUDOSAN CO	1.1
DIGITAL REALTY TRUST INC	1.1

total, income and growth financial year returns

net of fund fees	FY '04	FY '05	FY '06	FY '07	FY '08	FY '09	FY '10	FY '11
Diversified Investment Strategy No 1								
1 yr rolling return	8.6	11.0	9.4	10.2	-2.9	-6.9	12.7	9.1
1 yr growth	6.6	1.8	1.7	-1.6	-10.9	-9.8	8.1	0.2
1 yr distribution	2.0	9.2	7.8	11.9	8.0	2.9	4.6	8.9
Diversified Investment Strategy No 2								
1 yr rolling return	15.5	14.6	16.5	17.0	-12.0	-15.7	13.3	11.6
1 yr growth	11.9	7.5	10.9	4.7	-20.5	-18.1	8.8	1.6
1 yr distribution	3.5	7.2	5.6	12.3	8.5	2.4	4.5	10.1
Diversified Investment Strategy No 3								
1 yr rolling return	17.6	14.9	18.0	18.9	-14.7	-18.0	13.2	12.6
1 yr growth	13.0	8.6	12.9	7.4	-24.2	-20.1	9.6	2.9
1 yr distribution	4.6	6.3	5.1	11.6	9.5	2.2	3.7	9.7
Diversified Investment Strategy No 4								
1 yr rolling return	20.3	15.0	20.8	21.0	-18.0	-22.5	13.0	12.7
1 yr growth	17.0	9.1	15.8	10.0	-26.4	-24.3	9.7	2.5
1 yr distribution	3.2	5.9	5.0	11.0	8.4	1.8	3.3	10.2
Diversified Investment Strategy No 5								
1 yr rolling return	n/a	n/a	n/a	18.5	-11.2	-17.4	13.4	11.9
1 yr growth	n/a	n/a	n/a	5.5	-18.6	-19.6	8.1	1.1
1 yr distribution	n/a	n/a	n/a	12.9	7.4	2.2	5.3	10.8

Performance is net of fund fees (and before any fee rebate if applicable) and calculated using month-end hard close exit prices. Assumes distributions are reinvested and tax is not deducted.

portfolio returns vs strategic asset allocation returns

gross of fund fees	7 yrs (% pa)	5 yrs (% pa)	3 yrs (% pa)	1 yr (%)	3 ms (%)
Diversified Investment Strategy No 1	6.5	4.9	5.3	9.8	0.8
SAA return	6.0	4.4	4.3	8.1	0.5
Diversified Investment Strategy No 2	6.5	2.8	3.0	12.6	-0.8
SAA return	5.9	2.1	1.8	10.7	-1.1
Diversified Investment Strategy No 3	6.2	2.1	2.5	13.7	-1.3
SAA return	5.8	1.7	1.3	11.7	-1.7
Diversified Investment Strategy No 4	5.5	0.6	0.5	13.8	-2.0
SAA return	5.1	0.3	-0.3	12.1	-2.4
Diversified Investment Strategy No 5	n/a	2.9	2.5	12.8	0.0
SAA return	n/a	2.1	1.1	9.7	-0.6

gross of fund fees	2007 (%)	2008 (%)	2009 (%)	2010 (%)	CYTD (%)
Diversified Investment Strategy No 1	5.8	-13.7	16.6	7.9	3.5
SAA return	5.6	-7.9	9.5	5.9	2.7
Diversified Investment Strategy No 2	6.8	-27.8	22.7	6.4	2.6
SAA return	6.6	-25.4	17.9	5.3	1.7
Diversified Investment Strategy No 3	7.1	-31.7	25.4	5.9	2.4
SAA return	7.0	-29.6	21.6	4.9	1.4
Diversified Investment Strategy No 4	7.2	-37.0	25.6	5.5	1.7
SAA return	7.0	-34.9	22.3	4.8	1.0
Diversified Investment Strategy No 5	4.3	-25.8	19.1	7.6	3.4
SAA return	5.5	-21.2	12.5	5.3	2.0

Returns are provided gross of fees. SAA returns reflect portfolio target weight in each sector multiplied by the return of the respective benchmark. Benchmark details are provided on the final page of this document.

benchmarks

Australian cash	UBSA Bank Bill Index
government bonds	Customised benchmark
multi strategy fixed interest	Customised benchmark
Australian listed property	S&P/ASX 300 A-REIT Index
¹ global listed property	UBS Global Investors (Hedged) Index in AUD
Australian shares	S&P/ASX 300 Accumulation Index
international shares	MSCI World ex Australia (Unhedged and Hedged in AUD) Indices
² global smaller companies	MSCI World Small Cap Index in AUD
global emerging markets	MSCI Emerging Markets Index in AUD
alternative growth	n/a
alternative defensive	UBSA Bank Bill Index

¹ The global listed property index commenced in January 2006. Sector benchmark prior to January 2006 is the customised UBS Global Investors Index (net div reinvested) in \$A hedged/Salomon Property & Utilities Index.

² The global smaller companies index commenced in October 2009. Sector benchmark prior to this date is the S&P/Citigroup World <US\$1.5bn Cap Range Index (net div reinvested) in AUD unhedged, which commenced in May 2006. Sector benchmark prior to May 2006 was the customised S&P/Citigroup World <US\$1.5bn Cap Range Index (net div reinvested) in AUD unhedged/Citigroup Fixed Market Cap <\$1.5bn (World ex EM) in AUD.

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

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