



Avoid running with the crowd
Paul Clitheroe explains why the sky is not falling.



Weathering a perfect storm
Find out the news behind the headlines with Jeff Rogers.



Making sense of a senseless year
IBISWorld chairman Phil Ruthven shares his perspective.

trust
belief
courage
resilience trust
belief **optimism**
confidence determination
patience **keeping sight of courage**
the bigger picture
trust means keeping
your belief
head and
looking forward
resilience

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welcome to infopac

Many investors will be glad to see the back of 2008, the worst year for markets in memory. Even quality investments have been hit hard, with many people around the world forced to review financial strategies and retirement plans.

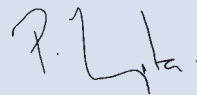
Few market forecasters predicted a downturn of such severity and, as Phil Ruthven says in our feature article on pages 6 and 7, most got it wrong on the oil price and the Australian dollar too. The simple fact is, most predictions about what happens next will also be wide of the mark.

As Paul Clitheroe and our Chief Investment Officer Jeff Rogers explain on pages 8 and 9, a sensible approach for tough times is to hold a broadly diversified portfolio and wait for an eventual recovery. Remember share markets have recovered from downturns in the past. Be sure to work closely with your financial adviser through this testing period.

On a more positive note, the six-time Australian Olympian James Tomkins, and remarkable mum and author Cheryl Koenig, share their stories on pages 4 and 5. I'm sure you'll find them inspiring, I certainly did.

I'm also proud to say that through our 25th Anniversary Challenge initiative in October 2008 (see story, page 12), we raised a remarkable \$90,000 which was well above expectation. This money supports The Smith Family and helps give disadvantaged kids a better start in life. Thank you to all those who contributed.

Finally, I wish you and your family a happy and healthy 2009.



Peeyush Gupta

Chief Executive Officer
 ipac

a world of New Years

New Year festivals are among the oldest and most universally observed. They often involve ceremonies that are expressive of mortification, purgation, invigoration and jubilation over the renewal of life - many of these traditions are good fun too! Here's how a few countries have celebrated New Year's Eve throughout time:

CANADA In British Columbia, the traditional polar bear swim takes place. People of all ages don bathing suits and plunge into the icy-cold water that surrounds Vancouver in the winter.

CHINA The Chinese New Year takes place between 21 January and 20 February. According to Chinese tradition evil spirits dislike loud noises, so they decorate their houses with plastic firecrackers to ward off that bad luck that the spirits might bring.

IRELAND One ancient Irish custom, formerly practised each New Year's Eve, was to take a large loaf of Christmas bread or large slice of Christmas cake outside the house and hammer it against the closed doors and windows. This was done to drive out misfortune and allow happiness to enter.

WALES In Wales, it was an ancient custom for the boys of the village to go from house to house on New Year's morning at around 4 o'clock. Using an evergreen twig, they would sprinkle the inhabitants and then perform the same ceremony in each room of the home. This was believed to bring good luck.

PORTUGAL AND SPAIN The people of the Iberian Peninsula pick and eat 12 grapes from a bunch just as the clock strikes 12 on New Year's Eve. This tradition is said to ensure 12 happy months in the coming year.

Whatever your tradition we wish you a happy and successful 2009!



do the new Health Card rules impact you?

The Federal Government has clarified changes to the income test for the Commonwealth Seniors Health Card (CSHC), originally announced in the 2008/09 Federal Budget. The changes take effect from 1 July 2009.

who qualifies?

The CSHC is available to people of Age Pension age who do not qualify for an Age Pension and who have "adjusted taxable income (ATI)" less than \$50,000 p.a. for singles and \$80,000 p.a. for couples.

The calculation of an ATI is quite complex and you should check with your adviser, however retirees who receive most or a substantial part of their retirement income from their super or an allocated pension below these amounts are likely to qualify.

benefits of the CSHC

Benefits of the CSHC include:

- ~ Lower cost prescriptions under the Pharmaceutical Benefits Scheme (PBS)
- ~ A lower Medicare safety net for non-hospital services
- ~ Seniors Concession Allowance, currently \$128.50 per quarter
- ~ Telephone allowance of \$23 per quarter

changes to the CSHC income test from 1 July 2009

From 1 July 2009, the following items will also form part of your Adjusted Taxable Income:

- ~ The gross amount of a super income stream, eg, an allocated pension
- ~ Lump sums withdrawn from super, including allocated pensions
- ~ All investment losses (not just rental property losses)
- ~ Salary sacrifice superannuation contributions (where you continue to work after Age Pension age.)

When superannuation benefits became tax free for those over 60, many retirees qualified for a CSHC for the first time. Many of those retirees will lose their entitlement from 1 July 2009.

The addition of lump sum superannuation withdrawals to the income test means that retirees who still qualify for the CSHC should seek advice if planning to withdraw lump sums. Purposes such as home renovations or repairs, holidays and motor vehicle upgrades have now become assessable. They may find that the lump sum withdrawal will cause the loss of their CSHC in that year.

where there's a will...

It's well known that if you die without a valid will, your estate will pass according to the rules of intestacy. While these vary from state to state, generally your estate is distributed between spouse and children or to parents or siblings (or their descendants) by a set formula.

This formula may not be what you would want, and it's also much more complex to deal with. It can be particularly complex if your next of kin are grandchildren or nieces and nephews.

when assets do not form part of an estate

Your executor can only distribute "estate assets". The following assets may not necessarily form part of your estate:

- ~ superannuation
- ~ life insurance

So when preparing your will, it's important to allow for assets that may pass directly to beneficiaries to ensure your overall estate planning goals are met.

the impact of tax

A good estate plan needs to consider the income and capital gains tax (CGT) consequences of the distribution of assets to different beneficiaries, eg. superannuation benefits are tax-free if received by a surviving spouse or child under 18 but other beneficiaries may pay tax at a rate of 16.5 per cent or more.

While CGT is not normally payable on death, any unrealised capital gains on assets passing to beneficiaries will be taxable when the asset is eventually sold. To ensure you deal with all the issues, it is wise to seek professional advice.

further information

To learn how you can benefit from new opportunities, please contact your financial adviser. If you don't have an adviser, please contact us on **1800 626 881** and we'll help you find one.





Lessons for life

a story of hope, courage and determination

Sometimes the worst times can be those that help us learn and grow, as the inspiring story of Cheryl Koenig, a member of the ipac community, shows.

One autumn day 11 years ago, Cheryl's 12-year-old son Jonathan was hit by a car and lay dying in her arms. At hospital, the doctors gave Cheryl the devastating news; Jonathan had extremely-severe-traumatic-brain-injury. The doctors said there was little hope of any previous function returning.

"It was as if someone had reached inside my chest and squeezed until my heart was crushed and my lungs expelled of all air," she said.

For the next five months she stayed by Jonathan's side in hospital, keeping a diary. Cheryl didn't know it then, but from her emotionally charged records in an exercise book, a manuscript evolved that would offer hope and inspiration to many.

Cheryl is a mother, wife, award winning author, carer and consumer representative. Her third book *Paper Cranes – A mother's story of hope, courage and determination* is her and Jonathan's story.

Hope – Day 30

"Today was a black day. Jonathan had another CT scan of his brain. The neurosurgeon was very cold and blunt. He said it was worse than the previous one 10 days ago in that there was now fluid where brain cells had died. When I asked him to explain what this meant for Jonathan's future, his reply was, 'I cannot say what, if any, function he will regain.' When I further questioned him, saying Jonathan was becoming more alert each day, his reply to this was, 'His scan is consistent with his vegetative state.'

"I was numb from shock once again. I think you could have picked me up off the floor had I let myself go, but I didn't. I refused to believe what I was hearing. Some people

call this denial — I call it hope, a hope so deep that it has to be proved beyond doubt to me that I am wrong!"

Courage – Day 96

"BREAKTHROUGH! Today I went out for the first time to get my hair cut. My sister Amanda minded Jonathan for a couple of hours.

"At lunchtime she mistakenly (on the advice given to her from a nurse) gave him an undiluted cordial/juice-type drink. He immediately gagged and coughed at the sweetness of it, but this was enough to turn his voice on, and his first spontaneous words were, 'I ... WANT ... MY ... MUM!' Poor Amanda felt so guilty about giving him the drink, but I assured her I didn't mind at all!

"Later that day I wheeled Jonathan over next to the phone and called Robert, who was at work. When Robert answered I said, 'There's somebody who'd like to speak to you.' In a barely audible voice, not much more than a whisper, Jonathan said, 'Hi ... Dad ... I ... love ... you ... Dad!' Robert was unable to reply, as what he'd heard literally choked him up. Tears of joy ran down my face."

Determination – five-and-a-half years later

"Yet another accomplishment by Jonathan that we were told he would never attain! After studying the road rules relentlessly over the six-week school holiday break, he passed the 45 questions of the Driver Knowledge Test to obtain his learner's licence. The ear-to-ear grin on his licence photo showed just how ecstatic he was to pass!

Today, 11 years since the accident, Jonathan can not only walk, but can run, ski, swim, play tennis and astound many with his piano playing skills - all while working five days a week in four part-time jobs.

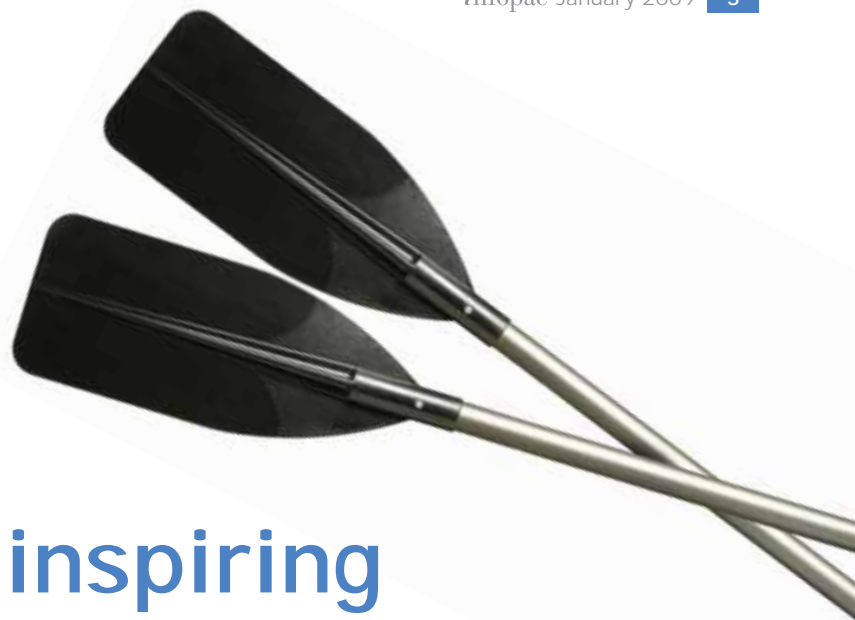
further inspiration

To receive a complimentary copy of Cheryl Koenig's book, *Paper Cranes – a mother's story of hope, courage and determination*, please write to us and share your tips on staying positive in tough times. The first five responses will receive a book, please send your responses to iservice@ipac.com.au. You can also order online at www.exislepublishing.com

Cheryl's life lessons:

- ~ Always remain hopeful despite foreboding predictions
- ~ Always remain strong and committed in the face of adversity
- ~ Draw on your family, friends and community support
- ~ Never allow yourself to be uninvolved, uninformed or undervalued by anyone!
- ~ Don't allow the barriers other people create to get in the way of what you really want to achieve – don't let someone else's doubts blur your faith or confidence in your own convictions, or in those of whom you place your trust.





oar inspiring

At a glance

- James Tomkins has competed in every Olympics since 1988
- He has an impressive Olympic medal tally of three gold and one bronze
- He is the first and currently the only rower to win world championships in every sweep oar event

James Tomkins of 'oarsome foursome' fame is Australia's longest-serving – and one of our best loved – Olympians. His achievements in the world of rowing are awesome by any standards.

Adding to his long list of accomplishments, James recently had the honour of being chosen as Australia's flag bearer for the opening ceremony at the Beijing Olympics. "It was just incredible carrying the Australian flag on behalf of the team. And not just on behalf of the team, but on behalf of all Australians," he said.

He discussed with infopac what it takes to get to the top, and how to stay there.

You are inspiring to others but what inspires you?

People who are willing to put themselves out on a limb to achieve; those who are not afraid to lose in their pursuit of winning. I really like giving it a go, taking a risk and pushing myself to achieve – I tend to surround myself with people who have a similar outlook.

What is the most important piece of advice you have ever been given?

There are two. The first is to have a go at everything. If I am asked if I can do something, my answer is yes. I then work out how to do it!

The second is to keep a balanced life, very important as an elite athlete. If I was just eating, sleeping and rowing, I would have a very dull existence. So, I have worked hard to ensure that I have other aspects in my life to keep things in perspective. Over time I have really seen that this balance also helps my rowing.

You have rowed for more than 25 years. How do you stay motivated?

Being in a team is incredibly motivating. If I don't turn up for training, the other guys are left in the lurch ... not good! So my

obligation to them is enormous. However, my motivation levels change depending on the challenges that lay ahead. As rowers we train quite differently to other athletes. We incorporate many different activities both physical and mental. We are constantly improving and changing our training. This certainly motivates me as I love the challenge.

How does it feel when you win a gold medal?

The feeling I get from winning is different every time. In 1992 when we won gold I felt a huge sense of relief to get that result, we were just so happy that we didn't stuff it up!

The gold in 1996 was very satisfying, as we identified some key areas to improve upon in training and they paid off. In 2004 it was a bit of both; I felt both a huge sense of relief and satisfaction. However it was mostly a culmination of everything we learnt over the years that got us the gold medal.

At the exact moment when I know that I have won the race, I have a wonderful sense of inner peace and happiness. On reflection, I feel totally present with no concerns for the past or future, just purely in the moment and completely content.

During the tough times, what or who gave you the faith to keep going?

Teamwork does. As a team we had faith that what we were doing was right, we trusted what had worked in the past and also looked at the current processes and sought ways to always improve them. Sometimes the tough times can be a great opportunity for reflection and change as well.

You once said "Sport is my life, well, my life is sport," what are you going to do now that you have retired?

I will always be involved in sport either directly or in some administrative or coaching capacity. I am not 100 per cent sure I have retired ... stay tuned!

making sense of a senseless year

by Phil Ruthven, Chairman of IBISWorld

The wild gyrations of 2008 show us that markets worldwide didn't know what was going on, flip-flopping between pessimism and hope all year.

The trouble with good times for too long is that we lose perspective. Worse, bad habits develop and eventually catch us out.

the global scene

Crude oil prices began the year breaking through the \$US100 per barrel mark, skyrocketing to \$160 with some forecasting \$200 per barrel in 2009 before doubling again to \$400 within a matter of years. Wrong, it settled back to a more realistic level at the tail end of the year, even going below \$70 at times.

Then our dollar rose to \$US0.96 on its way to parity or higher, many believed. It didn't happen: by October it had fallen below 70 cents on its way to a more realistic and probable 65 cents or lower within a year or two. How soon we forgot that our dollar was as low as \$0.49 in 2001, way below true value, before doubling this year to be well over true value.

Interest rates had only one way to go, and that was up. Oops, they are coming down, if only to provide breathing space for the time being.

Of course, the ups and downs of stock markets around the world - including Australia - was giddy. More of that shortly.

understanding value

The difficulty this year has been to find out what a realistic value was for anything. Housing is one of the easiest to work out. For over 50 years from the end of World War II (WWII) the average established dwelling was 2.6 times average household incomes, not the current 4.2 times. So now in December, the average house would be \$AU308,000 not the likely \$AU470,000 or more which is over 50 per cent more than its trend value. It also helps explain why interest payments for households have now reached 14 per cent of household disposable incomes, and why

rental yields are well under 5 per cent of the price of a dwelling. It's called being in the land of the cuckoo.

Will disaster befall us? No, only 3 per cent of Australian home owners are in extreme mortgage stress.

And wages growth over the next five years or more would bring the price-to-income ratio back to a more realistic level if house prices stabilise in the meantime, or even fall a little. At the same time, state governments must get serious about making it easier for developers to increase the housing stock, especially in the face of marginal availability of rental accommodation, and immigration levels now at record levels of over 180,000 per annum.

the 'r' word and 'd' word

The 'r' word surfaced in the USA and more lately in Australia, after 17 years since the last recession. In America, the dreaded "d" word emerged after an absence of over 75 years since the last depression began to peter out in 1933. There is but 4 per cent of the population today old enough to remember those awful times, and most would have been under 15 years of age at the time.

Neither the USA nor Australia is likely to have another depression: defined as two or more years of falling GDP. But it can't be ruled out entirely for the USA. Depressions arise out of shortsightedness, excessive greed, and lack of prudential fiscal management by financial institutions and/or governments. The onset of a depression is marked by crashing asset values - both physical (eg houses and other property) and financial (shares). But it can be arrested by government support for financial institutions. Concern in the USA in September about a \$US700 billion buyout of "poisonous" sub-prime mortgages was ill founded. Such a figure was less than 1 per cent of the finance industry's \$84 trillion in assets. Even a bail-out of up to two trillion is equivalent to leaving a tip on the saloon bar for a pint of beer.

Australia doesn't qualify for a depression. Our banks are triple A rated. So too is the nation as a whole. Our companies have sensible debt/equity ratios. Our government

has no debt, thanks to 11 years of prudent financial management by the Howard/Costello government. The states and territories are reasonably debt free too, mainly because of the scares of the early nineties when several states lost their banks and their credit ratings: a savage and lifetime lesson. Yes, our household savings ratio is too low and our housing prices too high, but neither can trigger a depression.

Even a recession, defined as a minimum of two falling quarters of GDP, is not necessary in Australia. Recessions are caused in the new post-industrial age by a collapse in investment (capital expenditure) due to panic by boards of directors and often reinforced by a reluctance of banks and shareholders to provide debt and equity funds for such investment in times of nervousness. Recessions loom every 8½ years, on average, anyway, and even then we don't have to have one if we don't want one.

Not once in the post-WWII years has consumption expenditure ever gone negative and caused a recession.

So, well-financed governments like ours can stave off recessions by injecting the necessary capital to get investment moving: and this could mean a \$15-20 billion injection late in 2009. This is not much in a year when some \$320 billion should be invested anyway, mostly (c. 85 per cent) by the private sector.

The USA is unlikely to be so fortunate in dodging a recession. They have worked hard for one. But all developed economies should enter the second decade of this new Century leaving the worst behind them.

should we worry?

All this begs the questions: should we worry; about what; and where do we put our money and investments? Well, try not to be influenced by the daily sensationalism of the tabloids and TV; it just leads to confusion. We should try and work out what are sensible prices and returns for various assets. As mentioned earlier, housing is usually worth less than three times annual



“We are a less fearful society today. We have advanced the means of preventing or ameliorating such potential catastrophes.”

household incomes. So people go out on a limb when the ratio goes too high. That's the time when renting or leasing makes more sense, even though it can be unsettling in terms of tenure. But why outlay three or more times rent costs on interest payments alone on buying a house?

When it comes to shares, the long-term price of share divided by the company's earnings (profit after tax) per share (price/earnings ratio) is around 12-14 times. When it got to 17 in 2007, it was testing a high point.

As many are counselling these days, it is probably unwise to sell shares in a panic and thereby realise an unnecessary loss. Better to keep banking the dividends that tend to keep coming as usual, and wait for shares to be restored to realistic prices.

The challenges are: to be unfazed by fear mongers and doomsayers; to find out

realistic prices for property, shares, gold or whatever and decide then the degree of aberration (down or up); and to remember that time heals most wounds and pain.

We are a less fearful society today. We have advanced the means of preventing or ameliorating such potential catastrophes.

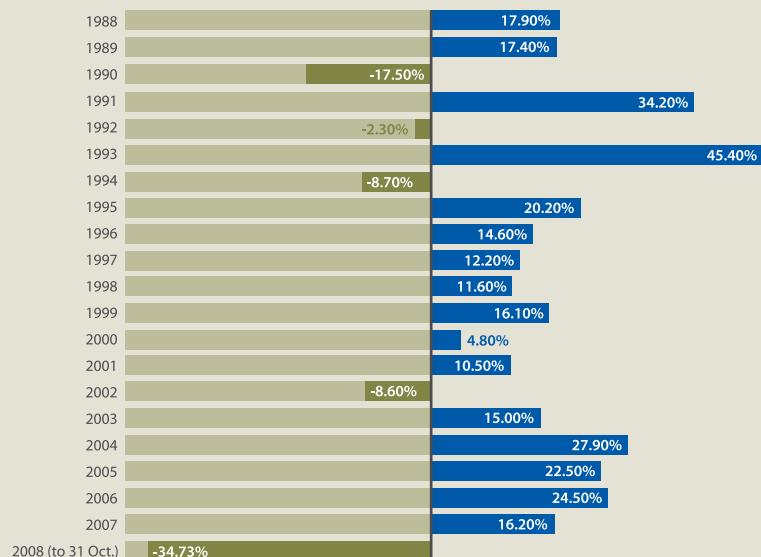
We may not be economically and financially bulletproof in Australia, but we are possibly the best placed in the OECD. All our banks are triple A rated, our government has virtually no debt and has money in the bank, and we have the serendipity of a mining prices boom. Our businesses have conservative and manageable debt/equity ratios, and less than 5 per cent of our households are debt-servicing stressed (mortgages, more than credit card or personal loan debts).

It doesn't get much safer than that.

recovery follows downturn

This chart shows the performance of the Australian share market over the past 20 years. It shows that a downturn has typically been followed by recovery, a trend that also holds true over longer periods.

Returns of the Australian Share Market* Since 1988



* S&P/ASX 300 Accumulation Index merged (ASX All Ordinaries Accum Index to March 2000) Source: Bloomberg/ipac

avoid running with the crowd

by Paul Clitheroe

These are uncertain times for all of us. Governments and reserve banks are taking dramatic steps and while we may feel powerless to influence global financial turmoil, we really should think about what personal actions we could be taking.

But first let's try to put things in context. There is a wonderful old saying "history never feels like history when you are in it" and believe it or not, the world has been in places like this before. As economist Milton Friedman observed in 1963, the depression of the early 1930s was not caused by the share market crash, it was caused by a credit crunch due to the failure of banks.

This is nothing new. Our economy has relied on credit for centuries. Credit dries up as institutions become nervous due to loan failures, which mean they don't get repaid, and they stop or slow their lending.

Falling home, share and super fund values have a real effect on our confidence, and all of a sudden the outstanding credit card bill at a very high rate of interest looks a lot more threatening. Also, the "easy credit" days of the past where lenders threw money at us are drawing rapidly to a close.

debt levels remain high

Having too much debt may not be an issue for you, but you will have family, friends or someone you know who does. And while low or zero debt levels means you can take a calm, longer-term perspective, the reality is debt levels in Australian households are very high. This leads to a pretty gloomy outlook for 2009. Sure, interest rates will fall (which won't help those with money in the bank), and unemployment will rise.

Fortunately, the key global figures in this crisis have learnt much from the past. From history we have learnt that a key in the "bust" part of the economic cycle is to push cash into the system by doing exactly what we are doing now – implementing rescue and bank bailout packages, stimulating the economy by bringing forward infrastructure projects and, of course, reducing interest rates.

But what if you are debt free? Well, as I move into my mid-50s I can tell you why, although I am debt free, I am cutting my spending on non-essentials. My wife and I have decided that a new car to replace the seven year old four wheel drive is a want, not a need. We are going to the beach for Christmas which is just as much fun, and far cheaper than skiing overseas. We are doing this for two reasons. Firstly we do not need to draw from our portfolio to pay for capital items. Secondly, we will have surplus savings to invest at a time when quality assets are cheap.

And this is the silver lining in this very nasty storm. Along with the rubbish which will be or will become worthless, quality companies and property are being savaged.

History tells us that when debt is forcing people to sell quality assets at discount prices, it is wise advice not to run with the crowd.

In most parts of Australia, home prices are falling or are likely to fall. Like 1989 to 1992, this will cause few problems for those who do not need to sell. Prices will recover. But for younger Australians who have savings and can save, what an opportunity to get into the housing market over the next few years, particularly as interest rates drop. Opportunities will abound.

the sky is not falling

We have to be realistic, but despite the hysteria the sky is not falling. It looks hard now, but the fact is that in years to come these dramatic events will be history. Just another nasty blip on the charts.

My hope is that, like our grandparents or great grandparents who lived through the 1920s and early 1930s, a whole new generation of Australians will recognise that the key to wealth is not what you spend. It is what you save.

Paul Clitheroe AM, is Chairman of the Federal Government's Financial Literacy Foundation, Chief Commentator for *Money Magazine* and a founding director of financial planning firm ipac.



"History tells us that when debt is forcing people to sell quality assets at discount prices, it is wise advice not to run with the crowd."

weathering a perfect storm

by Jeff Rogers, ipac Chief Investment Officer

As if things weren't bad enough already, fears of a global recession as a result of the deepening US financial crisis have sent share markets tumbling further in recent months.

The problems that came to a head in the September quarter began much earlier. As US home prices fell, so-called "sub prime" mortgages fell in value too, due to rising defaults on the underlying mortgages and a lack of transparency around their real worth.

Since then confidence has become one of the main problems. As no one can be sure exactly who holds the risk, how much risk there is and what it is worth, financial institutions have been unwilling to lend to each other.

This, in turn, has left some companies unable to refinance debt and support impaired assets on their balance sheets, translating into huge falls in the share prices of financial institutions.

where to from here?

Economic signs in the US have become increasingly negative and a recession in the US (a minimum two consecutive quarters of economic shrinkage) is almost certain. There have also been signs of slowing in Europe and a realisation that developing nations are not immune. These expectations have also hurt share markets.

We can expect more swings in markets, at least until there is confidence that all financial companies with losses have owned up to them. However, central banks and governments across the globe are doing all they can to manage the situation.

There are two main scenarios that might unfold over the next three years.

scenario: long global recession
prognosis: unlikely

One possible scenario is that a global recession is protracted and fears about the financial system persist. Returns would be barely positive and cash rates would be very low. We don't think this is likely given

efforts being made by monetary authorities and governments across the globe.

scenario: confidence gradually re-emerges
prognosis: likely

More likely is that investor confidence slowly re-emerges as the resilience of companies and their real earnings power becomes more evident. **We judge this scenario to be the most likely outcome.** Signposts to watch for include:

- ~ evidence of financial firms willing to lend to each other and to companies
- ~ signs that housing prices in the US have stopped falling

Given that the price-earnings (p/e) ratio of the share market (a simple measure of valuation) is well below its long-term average, if this scenario were to unfold investment returns could be above average for quite some time.

what we are doing

The investment group at ipac is completely focused on the management of client portfolios.

- ~ We have increased our manager monitoring activities. Our analysts are in close contact with all our managers and have made visits to stress-test investment processes. Not only do we want to understand the risks that exist in the portfolio, we also want to understand the recovery potential and



ensure clients are well-placed to benefit from a favourable shift in sentiment.

- ~ Our investment team is highly experienced and well aware of the behavioural tendency to over-react to negative news – especially rapid loss of wealth. Such behaviours can cause managers to implement changes contrary to long-term best interests. We will act decisively in circumstances where the assessed reward for risk is not significantly to our clients' advantage, and we will not allow ourselves to make knee-jerk responses.
- ~ Our operational team is focused on ensuring that portfolio valuations are up-to-date and managers continue to comply with our requirements. This team ensures we manage counterparty risk and liquidity risk.
- ~ We are sticking to our long-term disciplines and rebalancing portfolios back to long-term allocations. Regular rebalancing enables us to consistently buy cheaper-priced assets and maintain portfolio risk profiles. At the same time, we are ensuring we have adequate liquidity to meet re-balancing needs and be prepared for new opportunities.

With these and a range of other measures in place, we believe the portfolios are well placed to weather the storm, and get through to calmer times.





in the spotlight

back to basics

Big name companies selling everyday goods and services are proving resilient – and the companies themselves haven't stopped performing well just because markets are down.

Woolworths has strong earnings and growth potential with full year profit-after-tax up 25.7 per cent to \$1.63 billion. Woolworths is made up of some of the most recognisable and trusted brands in retail, stretching across food and grocery, liquor, petrol, general merchandise and consumer electronics. Their strong full year profit results and revenue growth were better than expected and, despite the current gloom, their long-term earnings and dividend potential is intact.

Coca Cola Amatil (CCA) is another well-known brand listed on the local share market with solid long-term prospects. CCA is a participant in the beverage industry and is the principal Coca-Cola licensee in Australia, Oceania, and Indonesia. The company is responsible for the manufacturing, marketing and distribution of Coca-Cola and related brands throughout these regions. CCA's key brands include Coca-Cola, Diet Coke, Coke Zero, Fanta, Sprite, Lift, Deep Spring and Mount Franklin. It's been a strong performer, a result of selling more drinks at higher prices.

Commonwealth Bank is a household name and a well-diversified bank, providing a range of financial services including retail, business and institutional banking, funds management, superannuation, insurance, investment and broking services. The Group is one of the largest listed companies on the Australian Stock Exchange and is included in the Morgan Stanley Capital Global Index. While its stock price has taken a big fall, it has still benefited from its broad retail base and lower exposure to sub-prime mortgages compared to its US counterparts.

making the most of the current environment

There will be winners and losers from the current turmoil in global financial markets. While not escaping the falls, the ipac portfolios are well diversified, so even disasters like Centro have a small overall impact.

no silver lining

The Australian Listed Property Market fell 1.7 per cent in the September quarter with **Centro Properties Group** ('Centro') one of the worst performing trusts, falling another 64.1 per cent after big falls earlier in the year. Centro posted a \$2.1 billion loss, the largest in the 37 year history of the Australian listed property sector and among Australia's largest corporate losses. This was mainly due to its exposure to US property investments.

some property positives

A falling Australian dollar in the September quarter helped trusts with large offshore earnings, such as Westfield Group and Stockland Trust Group, which returned 2.2 per cent and 0.2 per cent respectively.

The Westfield Group has a global portfolio of high quality shopping centres in Australia, NZ, the United Kingdom and the United States. It manages all aspects of shopping centre development, from design and construction through to leasing, management and marketing. Its operational segment earnings of \$928 million for the six months ended 30 June 2008 represented an increase of 14.7 per cent on the previous year.

Stockland is one of Australia's leading diversified property groups, spreading across residential and commercial property, with total assets of over \$14.7 billion and operations in Australia and the United Kingdom. In 2008, Stockland delivered increased earnings with an operating profit of \$674 million, an increase of 10.3 per cent over last year.

strong performers

Strong financial year reporting results and positive outlooks were reported for companies such as ResMed, while retailers such as Billabong helped Consumer Discretionary stocks bounce sharply.

ResMed is a global leader in the development, manufacturing and marketing of innovative medical products for the treatment and management of respiratory disorders, with a focus on sleep-disordered breathing. Since its formation in 1989, ResMed's operations have grown dramatically due to its highly innovative products which sell in more than 70 countries. For the year ended June 30, 2008, revenue was a record \$835.4 million, an increase of 17 per cent over the \$716.3 million for the year ended 30 June 2007.

Billabong International Limited's core business is the marketing, distribution, wholesaling and retailing of apparel, accessories, eyewear, wetsuits and hardgoods under various brands which are distributed in more than 100 countries. Billabong's profit after tax for the year ended 30 June 2008 was up 5.5 per cent to \$176.4 million. This increase was impacted by a strong appreciation in the Australian dollar against the US dollar.



noticeboard

ipac enhances its international shares portfolio

Changes to ipac's strategy for international shares provide more diversification of investment approaches through the introduction of Enhanced Investment Technologies and Arrowstreet Capital (Arrowstreet). The new managers replace Capital International and Wellington Asset Management.

Enhanced Investment Technologies was founded in 1987 and manages approximately \$US61.3 billion in assets*. They aim to build a portfolio with similar overall risk to the market but with potential for higher returns. Their senior team holds equity in the business, aligning the interests of clients and staff.

Arrowstreet Capital is a large independent global fund manager based in Boston. It is fully owned by staff. The organisational structure, independence and links to academia have been key factors in its growth. Arrowstreet has one of the most experienced research groups in the industry.

The appointment of Arrowstreet and Enhanced Investment Technologies is expected to generate a higher return in the long-term for a similar level of risk. ipac has a program of market and fund manager research led by a specialist investment team. This team continuously monitors market trends and identifies opportunities to improve the ability of the ipac portfolios to achieve their investment objectives.

*as at 30 June 2008

listed investments and corporate actions

From time to time there are corporate actions on listed investments held in ipac iAccess Investment. Examples of corporate actions include rights issues, share splits, buy-backs and others.

Recently iAccess Investment clients received a letter advising that should you hold listed investments individually or custodially, your adviser will be notified of any corporate action requiring a decision on your behalf. For custodially held investments, there may also be some corporate actions that you may not be able to participate in depending on the governing rules of that particular action.

This letter was for information only and you do not need to take any action.

revised allocation to Investors Mutual

ipac has removed Investors Mutual (IML) from the Australian sector of the Strategic Investment Service (SIS), Pathways 30, 70, 85, 95 and Australian Shares portfolios, and reduced the manager's allocation within Pathways Value. The decision was a result of our reduced conviction in the manager's ability to outperform over a full market cycle given their more defensive style. The balance of the IML allocation has been allocated to the existing managers, BGI, Schroders and Maple-Brown Abbott.

buy/sell spreads for SIS and Pathways portfolios

Buy/sell spreads within managed funds are a way of treating unitholders fairly by ensuring that transaction costs are paid by those individuals who conduct transactions, rather than by all the other unitholders in the fund. Buy/sell spreads have been increased in December 2008 for most Strategic Investment Service (SIS) and Pathways diversified portfolios, and some sector portfolios. For example, the Pathways 70 and SIS Inflation Plus 4 buy spread increased from 0.20% to 0.21%, and the sell spread increased from 0.20% to 0.32%. The change is a result of increased transactions costs, particularly in fixed interest markets, due to current market conditions. Numerous managers have made similar changes to ensure all unitholders are treated equally. The buy/sell spread is reflected in the unit price and is not charged separately. These 'spreads' will continue to be reviewed and may reduce when market conditions are more settled.

**For further information,
please contact your
financial adviser or
Investor Services on
1800 624 542.**

noticeboard cont.

portfolio performance

performance of ipac Pathways to 30/11/08

Pathways	6 mths %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Pathways 30	-13.67%	-15.79%	-5.43%	-0.60%	3.49%
Pathways 70	-24.11%	-30.16%	-12.83%	-4.28%	3.35%
Pathways 85	-26.81%	-33.26%	-14.18%	-4.84%	3.67%
Pathways 95	-30.40%	-37.63%	-16.96%	-6.48%	3.09%
Pathways Value (established Aug 05)	-23.53%	-27.93%	-12.23%	-3.72%	
Australian Shares	-30.36%	-39.20%	-14.68%	-3.91%	6.56%
International Shares (unhedged)	-17.72%	-27.62%	-15.04%	-6.90%	0.06%
International Shares (hedged)	-41.15%	-44.51%	-22.27%	-11.24%	-1.09%
Australian Property	-42.88%	-60.41%	-35.85%	-18.95%	-5.39%

performance of Strategic Investment Service to 30/11/08

Strategy	6 mths %	1 yr % pa	2 yrs % pa	3 yrs % pa	5 yrs % pa
Inflation Plus 2 Strategy	-13.98%	-16.46%	-6.24%	-1.47%	2.65%
Inflation Plus 4 Strategy	-24.35%	-30.67%	-13.56%	-5.10%	2.54%
Inflation Plus 6 Strategy	-27.03%	-33.73%	-14.87%	-5.63%	2.90%
Inflation Plus 7 Strategy	-30.60%	-38.04%	-17.59%	-7.23%	2.34%
Australian Cash	3.33%	6.72%	6.24%	5.79%	5.34%
Australian Fixed Interest	9.64%	10.60%	5.63%	4.62%	5.06%
International Fixed Interest	-3.53%	-2.43%	0.12%	1.19%	3.13%
Australian Shares	-30.41%	-39.47%	-15.33%	-4.69%	5.72%
Australian Property	-42.87%	-60.51%	-36.29%	-19.58%	-6.09%
International Shares	-17.82%	-28.00%	-15.69%	-7.66%	-0.69%
Global Emerging Markets	-41.87%	-46.09%	-17.67%	-5.13%	4.71%
Int Smaller Companies	-23.22%	-32.84%	-22.23%	-13.58%	-2.78%
Int Prop & Infrastructure	-52.34%	-55.32%	-36.75%	-18.46%	-3.87%

Performance figures are calculated using month-end hard close exit prices, are net of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted. Returns for 2yrs, 3yrs and 5yrs are annualised. **Past performance is not necessarily representative of future performance.**

The information provided is of a general nature only and does not take into account the particular needs, objectives or circumstances of any individual. Professional advice should be obtained before implementing any investment strategy. Any reference to ipac portfolios includes the Strategic Investment Service and ipac Pathways.

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25 Year Challenge helps disadvantaged kids

ipac was proud to celebrate our 25th anniversary in 2008. To mark this occasion, we decided to give back to the community that has helped us be successful and support some disadvantaged children to achieve their dreams.

The idea for a pedometer challenge (wearing footstep counters attached to the belt) was born, and during October we competed in teams to see how far we could walk. Our target was to raise \$25,000 for The Smith Family's Learning For Life program, to change the lives of disadvantaged Australian children by supporting education, personal support and personal development programs.

As a result of our efforts, we are proud to announce we raised more than \$90,000.

We would like to say a very warm thank you to all our employees, supporters, clients and colleagues across our close community for helping us make such a difference.

Everyone's Family

All money raised in our 25 Year Challenge will go towards The Smith Family, the charity selected by ipac staff for our anniversary year.

The Smith Family is a national, independent, social enterprise that creates opportunities for financially disadvantaged kids and their families to enjoy a better future through education. They promote education, as a way of increasing participation in society through lifelong learning, by providing reading, computer and financial literacy support.

The Smith Family's Learning For Life programs provide financially disadvantaged students with access to a nationwide support network that links them to opportunities including literacy support, mentoring, tutoring and personal development initiatives, in addition to financial scholarships to assist with essential school expenses such as uniforms, books and excursions. There are a number of ways you can get involved with The Smith Family, including sponsoring a student or perhaps being a mentor. For further information, go to www.thesmithfamily.com.au