

# FINANCIAL PLANNING NEWS



ENERGY INDUSTRIES®  
SUPERANNUATION SCHEME

Energy Industries Superannuation Scheme

September quarter 2009

## Interest rates: Where they are heading

One of the positive aspects of the global economic downturn has been the decline in interest rates. Variable mortgage rates have fallen from 9.6% at the peak to 5.8% in the space of 1 year, saving borrowers hundreds of dollars off their monthly repayments.

Investors in long-term Government bonds also got a benefit from an increase in value because of a fall in yields. Government bond yields fell by about 3% in the year to December 2008, and that produced a total return for the year of over 17% from Government bonds.

However, interest rates won't stay low forever and, in addition to the one already received, members should be prepared for further rises in interest rates and higher mortgage repayments.

### What's the Reserve Bank of Australia doing?

The RBA has a duty to contribute to the economic prosperity of Australians. To achieve this, its primary aim is to keep inflation in a range of 2 to 3%. The RBA uses monetary policy to influence economic activity and inflation. It can set short-term interest rates by changing the supply of funds to the financial system.

In the middle of last year the RBA started to worry about the global financial crisis and became less concerned about slowing inflation, even though the CPI inflation rate was well above the target range. After twelve gradual cash rate hikes from 2002, in September last year the RBA changed strategy and began aggressively reducing the cash rate. It was cut from 7.25% to 3% over a period of seven months.

The flexibility to lower interest rates, as well as Australia's trade links with the strong Chinese economy and a huge Government stimulus program, have allowed the Australian economy to weather the global slowdown surprisingly well. However, the RBA has already raised rates by 0.25% in October and recent comments from them are warning of higher interest rates in the future.

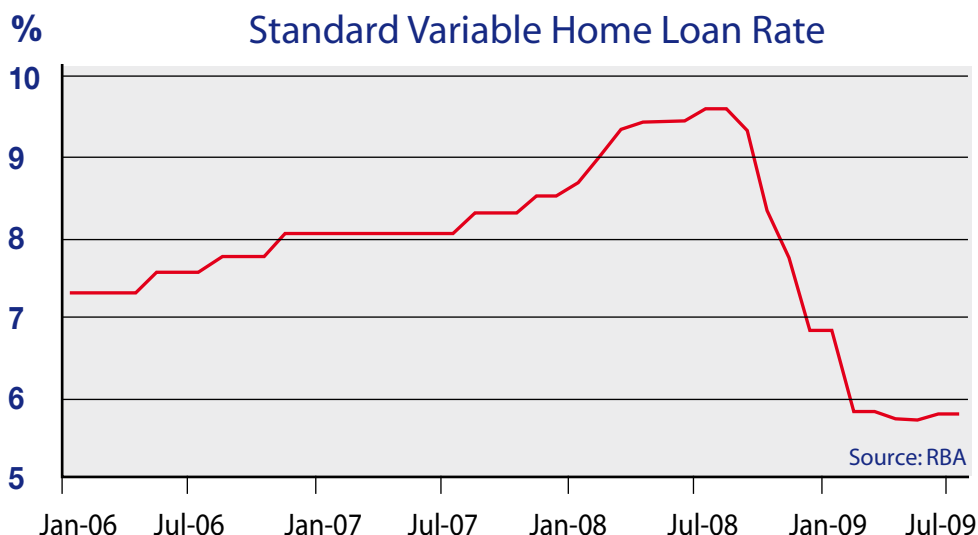
### The outlook

The fact that the RBA is signalling that we may be facing higher interest rates in the future represents a mixed message for investors. On the one hand, it indicates that the outlook for the economy and job prospects is improving and members with cash in the bank can look forward to better interest payments. On the other, it will

result in higher repayment costs for borrowers and it may lead to turbulence in bond markets which may translate to a challenging environment for bond investors for some time to come.

Welcome. In this issue of Financial Planning NEWS you will find information on:

- Interest rates: Where they are heading
- Changes to our investment portfolio
- Active vs passive investment management
- Our switch to online annual reports
- Health tips
- What's on in NSW?
- The latest from Fair Go
- Seminars



# Reminder about changes to our investment portfolio

As part of our continual drive to improve the returns we earn for you and to maintain a flexible and efficient approach to investments, the Scheme has commenced a complete review of its investment portfolios and has made a number of important changes.

Our basic objectives are to ensure we are getting the best advice, that we simplify our portfolio to reduce costs and ensure that our investment strategies satisfy your needs.

One of the steps we have taken has been to increase our use of “passive” investment managers (those that invest in shares based on the make-up of a particular market index).

This is a change from the past where we made greater use of carefully selected “active” investment managers (those that actively trade securities in an attempt to produce above-index returns). In recent times, however, this approach has not achieved the returns that were expected.

Our increased use of “passive” managers means that we have reduced the overall number of managers we

engage, simplifying the management of our investment portfolio and achieving significant savings in management fees.

We have also been reviewing the asset class weightings within many of our investment strategies to ensure they have the best chance of meeting their investment objectives, both in current market conditions and in the long term.

In addition, we have changed our fixed interest exposure so it is now solely invested in government guaranteed securities and we are now ensuring that “cash” means “cash”. Over the past three years, we invested a small portion of the Cash Plus’s option assets in global interest type assets. However, the extreme market volatility of recent times has led to lower returns than expected. In response to member feedback, we are moving back to a more pure cash allocation which will minimise the likelihood of short-term negative returns.

Finally, we are also reviewing our age-based default strategies to make sure they match the long-term retirement needs of our members.

In order to ensure that we get the best advice, we have also appointed Mercer (Australia) as our new investment adviser following an extensive selection process. Mercer replaces Russell Investments Group, which had advised the Scheme since its inception in 1997.

For more information on the changes or if you are considering a major change to your super investments, please call our Member Services team on **1300 369 901**.



## Passive vs active share management

In order to boost its returns to you and reduce our investment risks and costs, the Scheme’s Trustees recently decided to increase its use of “passive” managers when looking after your investments in shares.

In the past, we focused on choosing a complementary range of carefully monitored active managers. Active managers believe they have the skills and investment styles to beat the broad market as measured by a particular benchmark or index, such as the S&P /ASX 200 Index. This means they also have to beat most of the other managers who measure themselves against the same benchmark. To achieve this goal, they actively research and monitor a wide range of investment alternatives, which all adds to their operating costs and forces them to charge higher fees.

While good active managers often beat the index, most struggle to consistently beat the index over a long period of

time. All managers have their own investment styles and philosophies and these produce different results at varying stages of the market cycle. Indeed, their style may be in or out of favour with the market at any given time.

Even with the best skills and processes, managers can also make unwise choices which can dent your returns and, because an index can be likened to an average of share price performance, it stands to reason that when some



managers are beating it, others will be underperforming against it.

In contrast, passive or indexed managers believe the broad market cannot be consistently beaten. So, instead, they aim to match the performance of an index. To do this, they try to buy the same shares, in the same proportions, as the index. As a result, they don’t have to invest in making those hard decisions about which shares to buy and sell. They also do less buying and selling of shares, which means they have lower transactional expenses. In short, they are able to operate at lower costs and charge much lower fees.

Overall, increasing the proportion of funds invested via passive managers helps us access the overall gains (or losses) of the market at lower costs. It also reduces the risks of human error denting our returns and of us paying higher fees to a manager who may underperform the market.

# Looking after your bones

One in two women, and one in three men, over 60 years will have an osteoporotic fracture in Australia.

Worse still, the risk of future fractures rises with each new fracture.

Osteoporosis is a condition in which the bones become fragile and brittle, leading to a higher risk of fractures than in normal bone. It occurs when bones lose minerals, such as calcium, more quickly than the body can replace them, leading to a loss of bone thickness. As a result, bones become thinner and less dense, so that even a minor bump or accident can cause serious fractures.

Any bone can be affected by osteoporosis, but the most common sites are bones in the hip, spine, wrist, ribs, pelvis and upper arm.

Osteoporosis usually has no signs or symptoms until a fracture happens - this is why osteoporosis is often called the "silent disease".

These fractures can lead to changes in posture (for example, a stoop or Dowager's hump in your back), muscle weakness, loss of height and bone deformity of the spine. They can also cause chronic pain, disability, loss of independence and even premature death.

According to Osteoporosis Australia, women are at a greater risk of developing osteoporosis than men,

mainly due to the rapid decline in oestrogen levels after menopause. In addition, other risk factors such as reduced calcium intake and low levels of vitamin D can increase age related bone loss.

*So how can you look after your bones to prevent osteoporosis?*



## Top up on calcium

Less than half of all Australian adults get their daily recommended intake of calcium. Our bodies cannot make calcium, so it must come from our diets. Milk, yoghurt and most cheeses are particularly high in calcium and calcium is more easily absorbed from dairy products than most other food groups. Small amounts of calcium are also found in nuts, breads, cereals, fruits and vegetables. In addition, some soy

products such as tofu (bean curd) and a number of brands of soy milk are high in calcium or fortified with calcium.

If you cannot get enough calcium in your diet, your doctor may suggest that you take a calcium supplement.

## Get out in the sun

Vitamin D is essential for bone health because it helps increase the absorption of calcium and phosphorous from the stomach. It also assists in regulating the amount of calcium in the blood and in strengthening the skeleton.

For Australians, the main source of vitamin D is from exposure to sunlight. Vitamin D is also found in small quantities in a few foods (for example, fatty fish - salmon, herring, mackerel, liver, eggs), but adequate vitamin D is unlikely to be achieved through diet alone. If you have low vitamin D levels in your blood, your doctor may suggest that you take a vitamin D supplement.

## Exercise

Regular physical activity on a long-term basis has a particularly important role in maintaining healthy bones.

**For more information on how to diagnose and prevent osteoporosis, visit Osteoporosis Australia's website at [www.osteoporosis.org.au](http://www.osteoporosis.org.au)**

## Fair Go Wine Club The latest from Fair Go



The Fair Go Wine Club is provided by Wine Box Warehouse, Australia's premier online wine warehouse offering premium, labelled, Australian & New Zealand wines at up to 70% off RRP.

Fair Go Members receive a further \$5 discount per dozen off the already massively reduced wines.

- Free delivery to your home or office Australia-wide
- Up to 70% off RRP
- No cost or ongoing commitment
- Order what you want, when you want
- 100% money back quality guarantee
- Massive range of premium labelled wines & spirits
- Extensive tasting notes and all wines professionally rated
- Quality, Choice, Price and the right Advice!

All wines are carefully selected by an experienced in-house panel and they must be sound, well made and provide excellent value for money.

Proudly Australian owned.

**Important:** You must register to activate your Member Discount.

For phone orders/enquiries please call Wine Box Warehouse on **1300 553 716** and Quote FAIR GO or email

**[corporate@wineboxwarehouse.com.au](mailto:corporate@wineboxwarehouse.com.au)**

# What's on in NSW?



## Sapphire Coast Orchid Club Australian Native Orchid and Bonsai Show

**When:** 6-7 November 09  
**Where:** Twyford Hall, Merimbula  
**What:** A specialist orchid show for  
Australian Native Orchids  
**Find out more:**  
[www.sapphirecoastorchids.org.au/events](http://www.sapphirecoastorchids.org.au/events)

## Music at the Creek

**When:** 13-15 November 09  
**Where:** Majors Creek, Braidwood  
**What:** A small, family friendly festival  
**Find out more:**  
[www.musicatthecreek.com](http://www.musicatthecreek.com)

## Queanbeyan Show

**When:** 14-15 November 09  
**Where:** Queanbeyan Show  
Showground, Glebe Avenue  
**What:** A country agricultural show  
**Find out more:**  
[www.queanbeyanshow.com.au](http://www.queanbeyanshow.com.au)

## Celebration of Motorcycles Bombala

**When:** 20-22 November 09  
**Where:** Forbes Street, Bombala  
**What:** Displays, test rides, short film  
competition and stalls selling all  
motorcycle related goods  
**Find out more:**  
[www.celebrationofmotorcycles.com](http://www.celebrationofmotorcycles.com)

## Bulli Rodeo

**When:** 21 November 09  
**Where:** Bulli Showground  
**What:** Seven hours of live wild  
rodeo action  
**Find out more:** Visit  
[www.bullirodeo.com.au](http://www.bullirodeo.com.au)

## Braidwood Quilt Event

**When:** 27-29 November 09  
**Where:** Wallace Street and The National  
Theatre, Braidwood  
**What:** The historic town of Braidwood  
becomes a Mecca for quilters  
and tourists alike  
**Find out more:**  
Ph 02 4842-2626 or email  
[braidwoodquilts@bordernet.com.au](mailto:braidwoodquilts@bordernet.com.au)

## Bush Poets Wool Wagon Awards

**When:** 27-29 November 09  
**Where:** Goulburn Street Crookwell  
Services Club, Crookwell  
**Find out more:**  
[www.upperlachlantourism.com](http://www.upperlachlantourism.com)

## Sydney Christmas Parade

**When:** 29 November 09  
**Where:** Down George Street and  
finishes at Darling Harbour  
**Find out more:**  
[www.sydneychristmasparade.com](http://www.sydneychristmasparade.com)

## Lord Howe Island Rainforest Week

**When:** 5-12 December 09  
**Where:** Lord Howe Island Visitor Centre

**What:** Focusing on the unique plant life  
on Lord Howe Island, activities  
include guided rainforest walks,  
museum displays, slide lectures  
and conservation projects

**Find out more:**  
[www.lordhoweisland.info](http://www.lordhoweisland.info)

## Carols in the Caves

**When:** 12 December 09  
**Where:** Jenolan Caves  
**What:** Traditional Christmas carols  
performed by talented  
performers  
**Find out more:**  
Ph 1300 760 276 (Toll Free)

## We can help you with more than just your pension

- Looking for advice about investing? **We can help you.**
- Are your family members looking for a flexible home loan? **We can help you.**
- Looking to create an estate plan to protect your assets in the event of your death? **We can help you.**

Call **1300 883 788** for  
more information.

## Seminars



If you haven't retired yet, or your partner is planning to retire, why not attend a free pre-retirement planning seminar? Also, if you have family or friends that you think may benefit, please feel free to invite them along too.

To view further seminar information go to [www.eisuper.com.au/seminar/seminar.asp](http://www.eisuper.com.au/seminar/seminar.asp)

To attend one of our free financial seminars near you, call **1300 369 901**. Alternatively you can book a seat by emailing: [info@eisuper.com.au](mailto:info@eisuper.com.au). It couldn't be simpler.

You may have retired but we're still working for you



It's important that your super investment continues to meet your financial needs in retirement.

FuturePlus Financial Services offers all invested members an annual review with one of our qualified financial planners at no extra cost.

It's a great opportunity for you to sit down with one of our planners and discuss any changes to your circumstances and whether any adjustments need to be made to your current arrangements.

Your planner can check if any recent legislative changes will have an impact on you or your family, and you can ask any questions you may have about your investments or your Centrelink entitlements.

Our financial planners can either meet with you in person or talk with you over the phone.

If you haven't had a review in the last 12 months please call us on **1300 883 788** or just send a short email to [reviews@futureplus.com.au](mailto:reviews@futureplus.com.au) to arrange a meeting.

## Annual Reports to be available online



Remember that in the future, we will no longer automatically post our annual report out to you in a printed form unless you ask us to do so. Instead, our annual report will be available in the Forms and documents section on our website at [www.eisuper.com.au](http://www.eisuper.com.au)

This will save the printing and postage costs involved in sending out printed annual reports to members who may not be interested in receiving them by mail and will allow us to use the savings to provide better services for you. It also has considerable environmental benefits.

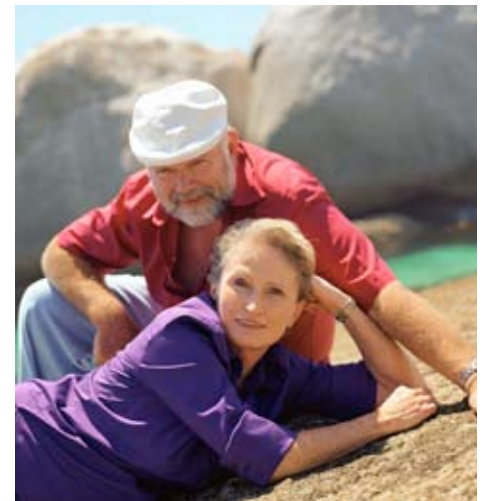
Printed annual reports will still be available for any member who requests one and if you would like one sent out to you please call Member Services on **1300 369 901**. Your request will be recorded and an annual report sent out to you when they are printed towards the end of this calendar year.

## Discounts while travelling

Your Seniors Card is not officially recognised in other countries, but many businesses will still give you the discounts they give their own senior citizens so it's always worth presenting your card and asking.

It may also be worthwhile joining a seniors' association in the country you are visiting as their members often receive many discounts.

Examples include the American Association of Retired Persons ([www.aarp.org](http://www.aarp.org)), the Canadian Association of Retired Persons ([www.fifty-plus.net](http://www.fifty-plus.net)) and the New Zealand Seniors Card ([www.seniorscard.co.nz](http://www.seniorscard.co.nz)).



## Regional office details:

**Lismore**  
81- 83 Molesworth St

**Newcastle**  
161 King St

**Orange**  
187 Summer St

**Parramatta**  
10-14 Smith St

**Sydney**  
28 Margaret St

**Wagga Wagga**  
Shop 2/209 Baylis St

**Wollongong**  
Shop 2/60 Burelli St

**Albury\***  
621 Dean St

Office hours 8.30am - 5.00pm  
Monday - Friday

\*Bookings are essential. Phone 1300 883 788 to make an appointment.

# What's happened in investment markets?

On the whole, economic data in the third quarter of 2009 was encouraging. A lot of positive news was released, albeit with a slightly artificial feel to it given the levels of stimulus that have been applied around the world. Nevertheless, investors welcomed this news with open arms as a lot of built-up cash returned to the equity markets.

Australian GDP rose 0.6% for the quarter versus 0.4% at the end of the last quarter of the financial year indicating that the economy is continuing to expand. Meanwhile, unemployment remained constant at 5.8% throughout the quarter as businesses were able to retain staff. Both of these signals are positive for the Australian economy, but as mentioned earlier, they do have to be judged in the context of the substantial stimulus applied.

In America, GDP remained negative as the country battles through the recession. Massive amounts of stimulus were injected into the economy and improving GDP figures (albeit still in negative territory) indicate that it is working. President Obama looks to be willing to do all that he can to protect the economy which has encouraged investors and sparked an extended equity market rally.

**The market commentary below is provided to give an indication of the various factors affecting the investment performance of individual asset classes. It is based only on the gross performance of the relevant market index and no allowance is made for taxes or fees as they apply in your superannuation investment. It is provided merely as an indication of relative performance between asset classes and should not be used as a measure for judging**

## the performance of your investment strategy.

### Australian Equities

The Australian stock market just couldn't be stopped during the quarter with September marking a seventh consecutive positive monthly return. The quarterly return for the benchmark S&P/ASX200 was 21.5%, which was the best 3-month return since the index began in May 1992. The third quarter of the year is the reporting season for most companies in which they report their full year earnings. This quarter did not disappoint as the majority of companies published earnings in excess of analysts' estimates. This was a large driver of the rally as every piece of positive earnings news was met with a renewed vigour from investors which drove the market higher and higher. The sustainability of these earnings is questionable, but in the short term at least, everyone is happy with this extended recovery.

### International Equities

International equity markets did not fare quite so well as the domestic market but still returned over 7% for the quarter. Company earnings were reported globally and the majority surprised on the upside, extending the rally. The main factor that held the rally back relative to Australia was the belief that there could still be fall-out from the credit crisis and that things may not be quite as good as they appear. The benchmark MSCI World Ex Australia is made up of companies in the developed world and is dominated by the US. As US financial institutions are still looking over-leveraged and consumer credit is hard to come by, it seems as though a more modest rally is justified at the current time.

### Listed Property

Listed Property Trusts (LPTs) also produced the best quarterly performance in the 9-year history of the current benchmark with a staggering 30.5% return for the quarter. This followed on from the previous quarter's returns and gives a 6-month performance of 50.2%. Despite this, LPTs are still 63% off their highs of February 2007. The main driver of this recent resurgence is the belief amongst investors that these trusts are now adequately capitalised to meet debt obligations. Much of the decline was based on the fact that LPTs were over-leveraged and unable to remain solvent, but recent capital raisings appear to have put investors' minds at rest.

### Cash and Fixed Interest

Throughout the entire quarter the Reserve Bank of Australia left the official cash rate at 3%<sup>1</sup> as it looks to provide further stimulus to the local economy. When cash rates are low consumers are encouraged to spend more and save less, which generates more economic activity. Sovereign bonds produced a return of 1.5% for the quarter, much in line with its long-term average. This asset class benefited greatly from the equity market crash as investors turned to safer investments. After a minor correction in the previous quarter sovereign bonds appear to have stabilised again producing modest returns.

Global bonds fared much the same with the quarterly return tending to the long-term average. Interest rates are still at historically low levels in many developed nations, putting some pressure on fixed interest investments.

<sup>1</sup> This rate was increased to 3.25% in early October on signals of an improving economy.

Please note that the information contained in this document is of a general nature only and does not constitute personal advice as it does not take into account your personal objectives, financial situation or needs. Any advice in this document is provided by FuturePlus Financial Services Pty Ltd (ABN 90 080 972 630) as an Australian Financial Services Licensee

(AFSL 238445) on behalf of the Trustee of the Energy Industries Superannuation Scheme, Energy Industries Superannuation Scheme Pty Ltd (ABN 72 077 947 285). Energy Industries Superannuation Scheme Pty Ltd is an APRA Registrable Superannuation Entity Licensee (ABN Pool A - 22 277 243 559 and ABN Pool B - 64 322 090 181).

Members should not rely solely on this information and should consider their own personal objectives, financial situation and needs before acting on this information. Prior to making any investment decision you should obtain and consider the relevant Product Disclosure Statement (PDS) pertaining to your Scheme membership and seek professional investment advice.



**Energy Industries  
Superannuation  
Scheme Pty Ltd**  
(ABN: 72 077 947 285)

**Head Office**  
Ground Floor  
28 Margaret Street  
Sydney

**Postal address:**  
PO Box N180  
Grosvenor Place  
NSW 1220

**T:** 1300 883 788  
**F:** 02 9279 4130  
[www.eisuper.com.au](http://www.eisuper.com.au)