

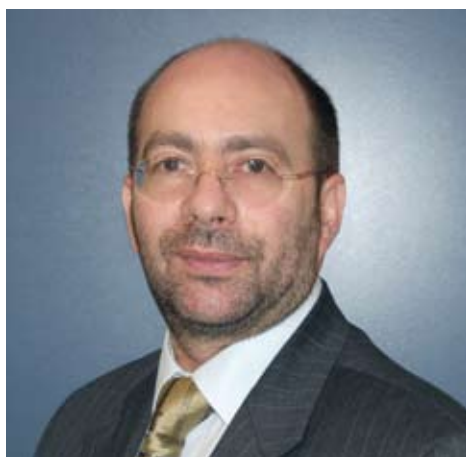
YOUR FUTURE



ENERGY INDUSTRIES®
SUPERANNUATION SCHEME

Energy Industries Superannuation Scheme
Retirement and Defined Benefit Schemes - ABN 64 322 090 181

Financial year ending June 2010



Michael Block
General Manager – Investments

May and June 2010 were particularly bad months for shares with stocks around the world losing value. Whilst there was a strong recovery in July this only highlights the fact that share markets remain volatile. This volatility has caused many people to think about whether it's time to get out of shares or hang on, particularly if they are close to retirement or concerned about losing money.

There are many investment myths. For example, there is an old adage in the share market which says "sell in May and go away". It is based on the idea that May to November (roughly the European and American summer) is not a good time for shares. However, this saying has no basis in fact as the May to November period is neither particularly good nor particularly bad for shares.

But there are some facts that we can rely on and they have been a good guide for a very long time.

The way that I like to look at it is that shares have for centuries followed a fairly stable upwards trend and for the most part it makes sense to have some

in your portfolio and hold them for the long term. This trend is evident in the attached diagram showing Australian share prices from 1980 to 2010.

If we look back (admittedly it's always easier with hindsight) it shows us that shares were above their long-term trend in 1987 and for those who could, it may have made sense to take a little risk off the table and reduce exposure to shares.

Similarly in 2007 the graph shows that shares were a very long way above their long-term trend and greatly overvalued. Like 1987 the lead-up to 2007 was a good time to sell and a bad time to buy.

After the so-called global financial crisis in 2007 share prices fell below their long-term trend suggesting it was a good time to add to your shareholdings.

So where are we now?

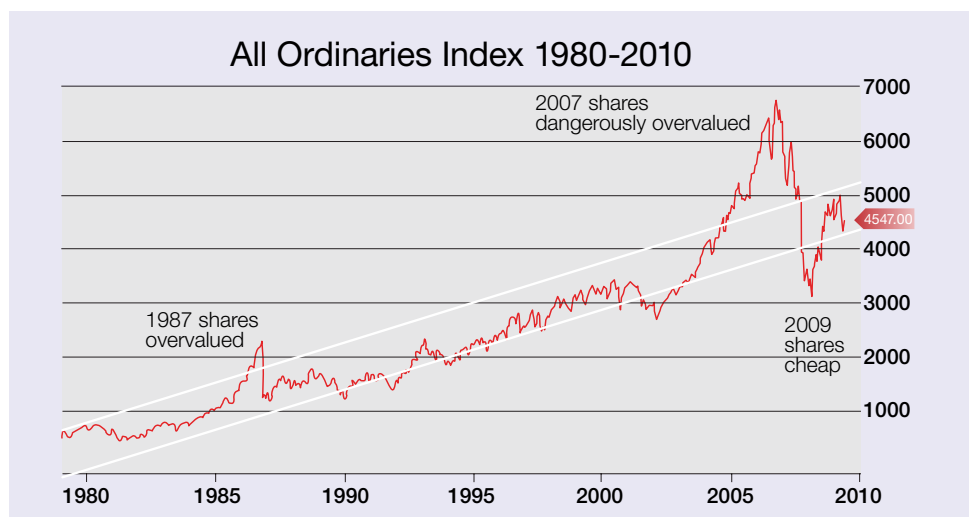
Right now, share prices are within their long-term trend indicating that holding shares should result in an acceptable return over the long term.

A general rule of investing is that you buy when prices are low and sell when prices are high. If we accept this advice, now is a time to do nothing and just hold your long-term allocation in shares. This is because shares are not cheap enough to suggest adding to portfolios and only just above their average long-term price which does not indicate the sort of danger that would make one run away from the markets.

Of course, this trend is a long-term trend and does not suggest that we won't see some more volatility in the next little while with so much uncertainty in the world.

I must emphasise this is general advice from a funds management perspective only and does not constitute personal advice as it does not take into account your personal objectives, financial situation or needs. Prior to making any investment decision you should consult your financial planner.

If you would like to discuss any of the topics raised by Michael Block with a financial planner please call 1300 883 788.



Today shares are fair value and in the middle of their long-term trend.

What's your risk profile?



One of the most important things to do when making an investment decision or choosing an investment strategy is to determine what sort of return you hope for and how willing you are for the value of the investment to go up and down; in other words what is your risk profile?

There is, in general, a trade-off between risk and return. The greater the return the more likely it is that the value of the investment will fluctuate. The lower the expected return the more likely it will be for the investment return to be stable. A risk profile attempts to determine where an investor sits on the spectrum between these two extremes: conservative and stable at one end and aggressive and volatile at the other.

For Retirement Scheme members it can help to determine whether you should be in High Growth, Cash or somewhere in between.

So how do you determine your risk profile?

There are many ways to do this but if you were to see a financial planner they would do it by getting you to fill out a questionnaire and then extensively discussing the results with you. The following list is not exhaustive but should give you an idea of the types of questions you'd expect to find in a standard risk profile questionnaire:

- How familiar are you with investment markets?
- How long have you been investing, not counting your own home, superannuation or bank type deposits?

- For how long do you intend to keep these investments?
- Historically, the share market has experienced rapid rises and falls in value. If the share component of your portfolio fell by 40% over a short period, such as a month, what would you do?
- If you unexpectedly received \$100,000 what would you invest it in? Would you choose a term deposit, shares, fixed interest, property or a mixture?
- How much of a fall in the value of your superannuation can you withstand before deciding to switch to cash?

Based on the answers you provide to these questions and following subsequent in-depth discussions, your financial planner would place you in one of the following risk profile categories:

Investor risk profile descriptions

Cash – Risk must be low and investor willing to accept lower returns to protect their money. As long as the initial investment is protected the investor will accept negative risks such as inflation.

Conservative – This investor wants better than basic returns but with low risk. The value of the investment over the medium to long term must be stable.

Moderate – A moderate investor is willing to accept a balanced portfolio and a strategy that will cope with the effects of tax and inflation. Calculated risks are acceptable.

Assertive – Such an investor is prepared to accept higher volatility and moderate risks in the pursuit of higher returns which include capital growth. A balanced portfolio is suitable but with some aggressive investments to accumulate assets over the medium to long term.

Growth – Growth investors are usually acquainted with investment

markets and focus on long-term capital growth using an aggressive but not unbalanced strategy. They are willing to take short-term risks for long-term rewards.

Aggressive – Wealth accumulation is the focus for this type of investor and they are happy to pursue a highly aggressive strategy with a high level of risk to achieve higher long-term returns.

Once you've worked out what sort of investor you are and what your financial goals are a financial planner can then advise you about the most suitable investment approach for you.

For example, a member's risk profile is an essential piece of information for our financial planners when they provide advice about the most appropriate investment strategy for a member's superannuation benefit.

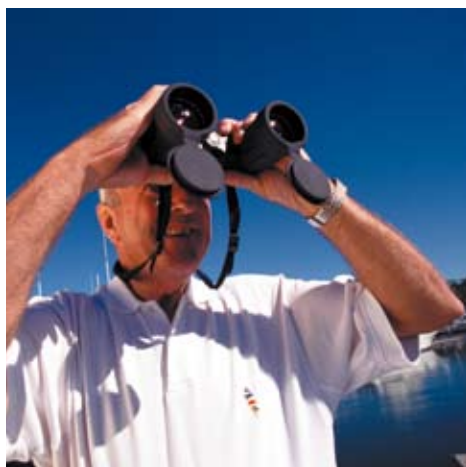
If you're unsure about your risk profile or uncertain about whether your current investment approach and investment strategy match your appetite for risk, you can speak to a FuturePlus financial planner and as a member of EISS you can do so at no additional cost. Just call **1300 883 788** to get in contact with one of our financial planners about this or any other financial planning questions you might have.

We can help you with more than just your super

- Would you like to build an investment portfolio?
We can help you.
- Interested in gearing?
We can help you.
- Need advice about maximising your Centrelink and other Government entitlements?
We can help you.

Call **1300 369 901** for more information.

Thinking about retiring?



If you're considering retirement in the foreseeable future, here is a handy checklist to see how prepared you are.

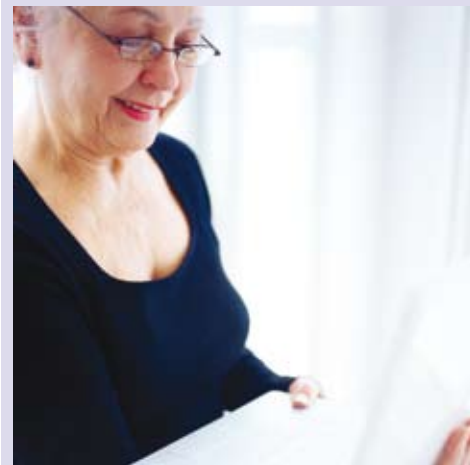
Retirement Planning Checklist

- Do you know if you've got enough money to retire on?
- Do you know what retirement options are available?

- Do you know if you are eligible for Centrelink benefits on retirement and how to maximise them?
- Do you have insurance to protect your income?
- Do you have insurance to protect your family in the event of you becoming physically incapacitated or if you die?
- Do you have a formal or informal financial plan in place?
- Do you know what investment strategy suits you best?
- Do your investments provide you with the appropriate mix of growth and income?

If you answered "no" to any of these questions, it might be a good idea to make an appointment to see one of our financial planners. Just call **1300 883 788**. Remember, because you're a member of EISS, any consultation is at no additional cost.

Annual Reports online



Help us reduce our carbon footprint by viewing our annual report online instead. Like last year you'll be able to see the report online at our website www.eisuper.com.au when it is released in December. If you would prefer a printed copy, please call us on **1300 369 901**.

Trying to help your children enter the property market? It's easier with a 5 Star Chifley Home Loan



It's getting harder and harder for young people to enter the property market. If you've been thinking about assisting your children or family to take that step, it's important to be sure you have the most competitive home loan possible.

There's no point paying more than you need to.

So, why not take advantage of the 5 Star Chifley Home Loan? The Chifley Home Loan is rated 5 Star by CANNEX, the independent financial services monitoring agency. A 5 Star rating means this mortgage loan offers "superior value" placing Chifley within the top 5% of home loan products, a pretty super endorsement when you consider there are over 2,000 products in the mortgage category.

There are no mortgage application fees and no monthly account keeping fees. You can make extra and lump sum repayments without any restrictions which allows you to use any extra funds to reduce interest and pay out your loan faster*.

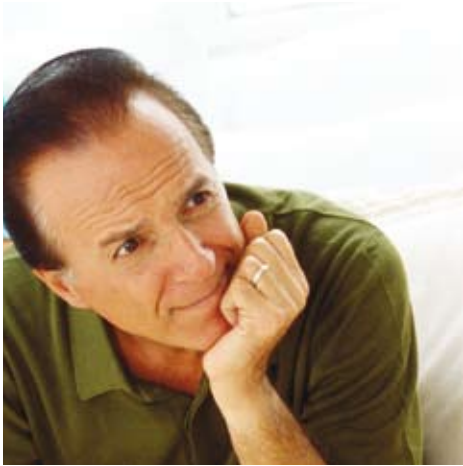
The Energy Industries Superannuation Scheme is a part-owner of Chifley Financial Services.

For more information on these or any of the other competitive loans provided by Chifley Home Loans, either call us on **1800 800 002** or visit our website www.chifley.com

*Limitations apply to Fixed Rate products. Terms and conditions apply. The credit provider is Select Credit Union Ltd. Fees, charges and all loan details will be disclosed in the loan contract. Some charges such as valuation fees and costs charged by the lender's solicitors are payable. These charges are non-refundable should they be incurred and the loan is not proceeded with. An early repayment fee may be payable. Chifley Financial Services Limited (ABN 75 053 704 706, AFSL 231 148) provides services through an agreement with Select Credit Union Ltd (ABN 20 058 538 140, AFSL 238257). Chifley Financial Services does not guarantee the obligations of Select Credit Union Ltd.

Frequently asked questions

Why can't my spouse's name appear on my statement as the beneficiary?



The Trust Deed that governs the Energy Industries Superannuation Scheme has specific rules about the payment of death benefits. Under the Deed, members can choose to make a binding nomination of beneficiary or not.

If you choose not to make a binding nomination of beneficiary, your death benefit will be paid to your spouse, if you have one. If you do not have a spouse, as defined in the Trust Deed, your death benefit will be paid to your estate.

If you choose to make a binding nomination, then the Trustee must pay the death benefit in accordance with your instructions. Binding nominations expire every three years and must be renewed in order to remain valid.

Either way, the Rules under which the Energy Industries Superannuation Scheme operates do not allow us to list a nominated spouses name on the member statement as the beneficiary.

Visit our website at www.eisuper.com.au, where you will find a Fact Sheet with further information about Nominating Beneficiaries.

Trustee Selection is changing its name

Retirement Scheme

Trustee Selection is the name of one of the six investment strategies Retirement Scheme members can choose from.

By 1 November 2010, the investment option *Trustee Selection* will be called *Growth*. This is a change to the name of the strategy only and there is no change to the underlying investment approach.

The Trustee believes that the name *Growth* best reflects the risk profile and objectives of the strategy given that the major proportion of assets (approximately 70%) are invested in growth type assets such as Australian and international equities. The balance is invested in income-producing assets. If you would like further information about the asset allocation and investment objectives of this strategy please go to our website at www.eisuper.com.au

You should regularly review your investment strategy to ensure it is the right one for your investment goals and risk profile. If you would like to discuss this with one of our qualified financial planners please call **1300 369 901**.

Defined Benefit Scheme

Trustee Selection in the Defined Benefit Scheme will now be known as *Defined Benefit Selection*. This is a change of name only and has no impact on the investment profile of this strategy.

The Defined Benefit Scheme is a pension scheme and pension benefits paid to members are not affected by investment performance so the investment style of *Defined Benefit Selection* has no impact on member benefits. However, if you would like further information about the asset allocation and investment objectives of this strategy please go to our website at www.eisuper.com.au

FairGo

Chartis Travel Insurance



Chartis offers members great travel insurance, at a great price. With savings of up to 50%* on travel insurance compared to buying from a travel agent, not only will you keep your travel agent's commission, you'll also have more money to spend on your next holiday.

Members have access to the following policies:

- International
- Domestic
- Frequent (Annual) Travellers
- Travellers aged over 70.

Benefits include:

- Unlimited overseas medical & hospital expenses
- Cover for lost or stolen luggage such as your camera or your iPod
- Cover for trip cancellations and flight delays
- Access to Travel Guard pre trip and emergency assistance.

And lots more!

Visit www.eisuper.com.au/fairgo/insure.asp for more information, quotes and to purchase your insurance online.

*Terms & Conditions apply.

What is an Account-Based Pension?



The Account-Based Pension Plan offers a flexible and tax-effective way of receiving your superannuation entitlements as an income stream instead of one lump sum. They pay regular income payments to cover your day-to-day living expenses while giving you the flexibility to make larger withdrawals when you need them. Payments are generally made until the balance of your account has been exhausted.

Investing your superannuation in an account-based pension keeps your benefit in the super environment, so you pay no tax on investment income including realised capital gains. Also,

if you are over age 60 your income payments will be tax free if you have satisfied a condition of release. You may also qualify for additional Aged Pension entitlements and pay less tax on your investments outside superannuation.

How do Account-Based Pensions work?

- You (or your dependants) receive regular income or lump sum payments until your capital runs out
- Minimum annual payment amounts apply and range from 4% for people under 65 to 14% for those 95. There is a 50% reduction in the minimum rates for the 2010-2011 financial year, as recently announced by the Federal Government.
- No maximum pension requirements apply
- Your pension or lump sum can be transferred to a dependant or your estate when you die.

For more information on Account-Based Pensions and whether they might be appropriate for you, call **1300 369 901**.

Investment performance

12 months to 30 June 2010

Retirement Scheme returns for the Contributor Financed Benefit

| Strategy | %* |
|---------------------|------|
| High Growth | 11.3 |
| Trustee Selection** | 10.6 |
| Diversified | 10.6 |
| Balanced | 11.7 |
| Capital Guarded | 10.2 |
| Cash | 4.4 |

Defined Benefit Scheme

| Strategy | %* |
|---------------------|------|
| Trustee Selection** | 10.6 |

*All returns are shown to one decimal place.

**The names of these strategies are changing. Please refer to the article in this newsletter "Trustee Selection is changing its name" for more details.

Investment returns shown are historical and future performance cannot be guaranteed. Investment returns can go up and down and past performance is not a reliable indicator of future performance.

Fee reduction for Rollover and Account-Based Pension members

The Trustee of EISS has undertaken a review of the fees charged to members in all divisions and has made a number of changes to ensure that the fees are distributed on a fair and equitable basis.

This review has resulted in a reduction in fees for all Account-Based Pension and Rollover Plan members effective 1 July 2010. The following table provides a comparison of the old and new fees for each of the five strategies.

Schedule of Fees at 1 July 2010

Rollover & Account-Based Pension Scheme | Management fee

| Investment option | New Fee (%)* | Old Fee (%) |
|-------------------|--------------|-------------|
| High Growth | 1.00 | 1.62 |
| Diversified | 0.97 | 1.59 |
| Balanced | 0.92 | 1.56 |
| Capital Guarded | 0.88 | 1.52 |
| Cash | 0.72 | 1.25 |

If you have any questions about the fee changes please call Member Services on **1300 369 901** or if you would like to speak to a financial planner call **1300 883 788**.

How have investment markets performed?



The 2009/10 financial year was a year of two halves. After a fantastic first six months where the Australian share market was up over 25%, the next six months saw it retreat back 10% to finish the year with a positive return just over 13%. Coming off the back of one of the worst financial years in history, at first glance a 13% return would appear to be reassuring, but there are underlying problems that need to be resolved if markets are going to advance from here.

Australia emerged from the global financial crisis (GFC) better than any developed nation. The Reserve Bank of Australia started to raise interest rates from as early as last October (bearing in

mind that the US, UK and Europe still haven't begun). Consecutive rate rises followed with the overnight cash rate reaching 4.5% by June 2010. Further to this, unemployment continued to fall; going from a level of 5.8% in July 2009 to 5.2% in June 2010. Add to this an annual inflation rate of 2.9% and annual GDP growth at 2.7% and it is easy to see why Australia has been the envy of the world in an economic sense.

The Australian Dollar (AUD) was closely watched by traders throughout the year and displayed its capacity for volatility by peaking at around 94 US cents and falling to 81 US cents within the space of two months as investors lost confidence and became concerned about the supposedly risky nature of the AUD preferring the seemingly 'safer' US Dollar.

The US economy still looks shaky and didn't really achieve any real stability throughout the year. US unemployment rose in the first half of the year, peaking at a rate of 10.1% before dropping down to 9.7% by June 2010. This left the Federal Reserve (the US central bank) with very little choice but to leave cash rates at close to zero for the entire year, and it indicated that this is likely to be the case for an extended period of time. Despite this stimulus, there was

little in the way of inflation indicating that consumers are just not willing to spend while unemployment remains a real threat.

Like Australia, it was a financial year of two halves for world markets. The first half started where the last one left off with significant positive monthly returns for five of the first six months. Investors responded to the sell-down of the previous 18 months during the GFC, which saw shares trading at valuations that were too cheap to ignore. From January onwards, though, it was a different story as broader economic factors, such as unemployment, inflation and growth forecasts, drove markets down.

As the recovery began to falter, concerns emerged that some European nations would be unable to repay their debt obligations and might require bail-outs from the European Central Bank and the International Monetary Fund. This sparked a lot of fear in financial markets as investors were concerned about the effects that this would have on the European banking system and corporate access to credit. These fears dampened returns in the last quarter of the financial year and until they are addressed may continue to weigh on investor confidence.

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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 369 901 to make an appointment.

If you have any questions, feel free to contact Member Services on 1300 369 901 or visit www.eisuper.com.au



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