

YOUR FUTURE

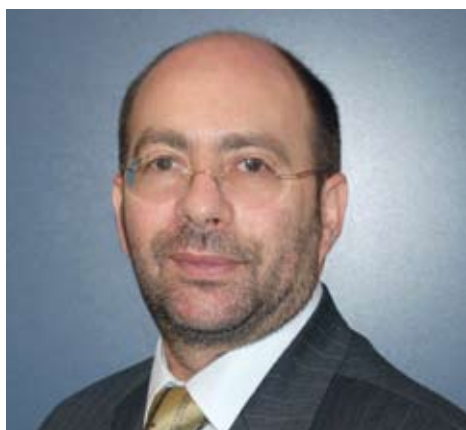


ENERGY INDUSTRIES®
SUPERANNUATION SCHEME

Energy Industries Superannuation Scheme
Accumulation and Executive Schemes - ABN 22 277 243 559

Financial year ending June 2010

The markets and you



Michael Block
General Manager-Investments
FuturePlus

May 2010 was a particularly bad month for shares with stocks around the world losing value. This has caused many people to think whether it's time to get out of shares or hang on, particularly if they are close to retirement or scared of further losses.

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.

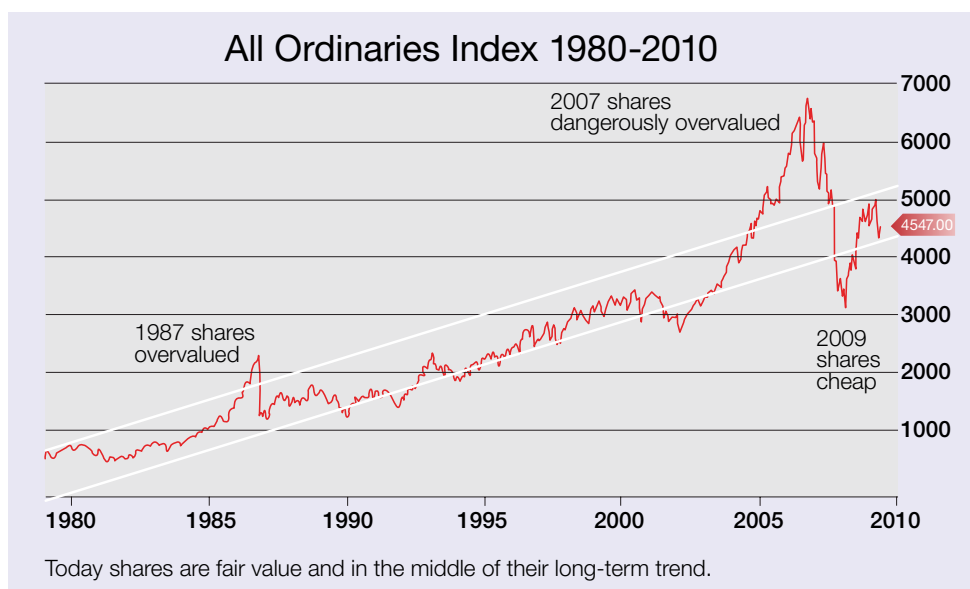
A general rule of investing is that you buy when prices are low and sell when prices are high. If we accept this advice, now is a

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**.



How do you know if you've got enough super?

It's a shocking fact, but very few Australians are likely to retire with a comfortable amount of money. Many believe their superannuation contributions will be enough but Census data shows that many of us will have a much lower standard of living than we expect. Have you ever sat down and considered how much money you'll really need to fund your retirement?

Working out how much money you will need in retirement depends on your personal situation, of course. Not only does the amount of money you need depend on your lifestyle choices, but you may have some other income options in retirement (such as part-time work or payments from other investments) which will supplement your super.

But you need to think about how much you'll need early enough to do something about it.

The Association of Superannuation Funds of Australia believes a single person needs an annual income of \$39,159* and a couple needs \$53,565* to live comfortably in retirement. They define "comfortable" as having an income that permits the retiree to pursue a range of leisure and recreational activities and supports a good standard of living through the purchase of things like: household goods, a decent car, good clothes, private health insurance and occasional domestic or international travel.

So how do you get there?

This will depend on what savings you start off with, how long it is until your retirement, and what level of retirement income you are seeking.

The table below roughly sets out what an individual might have to save, in terms of percentage of their income, in order to meet certain retirement income targets.



It is widely considered that a target of between 60% and 70% of annual pre-retirement income is needed in retirement. As the table below shows, unless you're a long way off retirement, reaching this target will involve more than the 9% compulsory contributions (SG) for most people.

How can you catch up?

The easy answer is to increase your contributions to super. There are several approaches you can take once you've decided to start making additional contributions:

Salary sacrifice:

Salary sacrifice is an arrangement where you "sacrifice" a proportion of your pre-tax income and put into your super. This can be a tax effective way to save for retirement on two levels. First, because you are making the super contribution from your before-tax income, it is taxed at the super contributions rate of 15%, rather than your normal rate of tax. Secondly, because you have effectively reduced your income (by the amount of your salary sacrificed super contribution), your income is lower and therefore the tax your pay on that remaining income will be lower too.

After-tax contributions:

You can also make additional contributions to your super from your after-tax income. Again, this will help grow your super plus it may even entitle you to take advantage of the Government Co-contribution scheme.

Government Co-contribution scheme:

If your before-tax income is \$61,920 or less, you may qualify for the Government Co-contribution scheme. This is where the Government could match your after-tax additional contributions to your super dollar for dollar, up to \$1,000 per annum.

Spouse rebate:

If you are not working, or are on a low income, another way to help boost your super is to have your spouse make a contribution on your behalf. To qualify for this, your income cannot exceed \$13,800 per annum. Your spouse, in turn will benefit from an 18% income tax rebate on any contributions made to your super up to the value of \$3,000. Please note, however, that any contributions in excess of \$3,000 will not be eligible for the rebate.

Get some advice:

If you have any concerns about your super, or want to start planning for your retirement, then it's a good idea to get some professional advice from a qualified financial planner. And because you're an EISS member, that advice is at no additional cost. Just call **1300 369 901** to make an appointment.

*Source: Association of Superannuation Funds of Australia Westpac ASFA Retirement Living Standard, 'How much do you need to spend to have a comfortable standard of living in retirement' March 2010.

Percentage of income over and above the 9% Superannuation Guarantee required to be saved to achieve 60% of pre-retirement income¹

Years to retirement	Final income (Retirement income sought)		
	\$35,000 (\$21,000)	\$50,000 (\$30,000)	\$75,000 (\$45,000)
10	37%	51%	59%
15	19%	29%	35%
20	10%	17%	22%
25	5%	10%	14%
30	2%	6%	10%
35	0%	3%	6%
40	0%	1%	3%

1 Projections based on fund net (after tax and fees) earning rate of 7% nominal and growth in average earnings of 3.75% with contributions being made by the employer and subject to 15% tax. Source: ASFA

Looking to buy your first home? A 5 Star Chifley Home Loan can help you



If you're thinking of upgrading your house or buying an investment property, 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

*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 231148) 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.

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*.

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**.



What's your risk profile?

One of the most important things to do when making an investment decision or 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 value; 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 in value. 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.

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?

Fair Go

Departure Lounge – Resorts Accommodation



Winter is here, so why not head north to warm up with a Departure Lounge winter escape. With more choice than ever, Departure Lounge is ready to send you on your next holiday or short break.

Members can **save up to 55%** with some fantastic winter specials at a range of Peppers, Mantra and BreakFree properties.

For couple escapes or family holidays, there is something for everyone!

Visit <http://www.eisuper.com.au/fairgo/departurelounge.asp> for more information and current special offers.

- 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?

If you're unsure about your risk profile or uncertain about whether your current investment approach matches 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 experts about this or any other financial planning questions you might have.

Frequently Asked Questions



What is hedging?

The best way to understand hedging is to think of it as insurance. When people decide to hedge, they are insuring themselves against something negative that may happen in the future. This doesn't prevent a negative event from happening, but if it does and you're properly hedged, the impact of the event is reduced. It's just like insuring your house against theft, fire or damage. If any of these things happen, at least you're covered.

People investing in financial markets use hedging techniques to reduce exposure to potential risks, but it's more complicated than simply paying a premium to an insurance company. Hedging against investment risk means using financial instruments, such as forward contracts (an agreement to buy or sell at an agreed price

on a fixed date), to minimise the risk of sudden downward or upward movements in the value of the investment. In other words, investors hedge one investment by making another.

However, hedging can't help us escape the harsh reality of the trade-off between risk and return. A reduction in risk will always mean a reduction in potential profits, so hedging is not so much a technique designed to make you money, but rather reduce potential losses. If the investment you are hedging against makes money, you will most likely have made less than you may have without hedging. But if the investment loses money, your hedge, if successful, will reduce that loss.

The most common type of hedging we engage in is currency hedging. The reason for that is to reduce volatility. For example, if you invest in something like International Equities (or shares) which is a volatile asset class in the first place, and you add the uncertainty of currency movements, it can become an extremely volatile investment. Hedging moderates the ups and downs that a currency might go through and makes the investment more stable.

Hedging, of course, comes at a price and investment managers will always consider whether the potential benefits justify the expense. The thing to remember is that hedging is not about making money, it's about protecting against potential losses in more volatile investment options.

Earlier in this edition of *Your Future*, we talked about how hedging works in terms of protecting investments against negative events. We compared the idea of hedging to insurance.

But what, then, about protecting you and your family against negative events? What would happen, for example, if you suffered an illness or injury that prevented you from working? Or worse still, what would happen if you were to die? How would your family cope financially if you were no longer able to provide for them?

As a member of EISS, it's likely that you have some automatic life cover as part of your membership. But is that enough?

People in their thirties and forties are generally busily paying off a mortgage

and putting the kids through school. It's an important period in life when financial stability is vital. But how good is your personal hedging strategy? Do you even have one?



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

The Trust Deed that governs EISS 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 Trust Deed under which EISS operates does not allow us to list a nominated spouse's name on the member statement as the beneficiary.

For further information please go to the Nominating Beneficiaries Fact Sheet located on our website www.eisuper.com.au or you can request one from Member Services by calling **1300 369 901**.

Is your life sufficiently "hedged"?

The good news is that EISS offers a range of competitive voluntary insurance products designed to provide complete peace of mind. You can take out Lump Sum Death Only cover that pays out in the event of your death and you can add to that Total and Permanent Disablement cover. Plus, there's Salary Continuance Insurance that provides income protection against disablement regardless of whether it is temporary or permanent.

So why take an unnecessary risk, when you can hedge? There's a brochure about Voluntary Insurance on our website www.eisuper.com.au or call **1300 369 901** for more information.

Budget update

The May Federal Budget included a number of measures that may affect you such as:

- Super Guarantee extended to age 75
- Higher Concessional contributions cap of \$50,000 to be extended beyond 2012
- Co-contribution thresholds and matching rate frozen for at least two years
- New Government contributions for low income earners

For more detail about these and other changes included in the Budget please go to our website at www.eisuper.com.au

We can help you with more than just your super

- ❖ Looking for a low cost flexible home loan? We can help you.
- ❖ Would you like to build an investment portfolio? We can help you.
- ❖ Interested in gearing? We can help you.
- ❖ Need insurance? We can help you.

Call 1300 883 788 for more information.

Sometimes it pays to have all your eggs in one basket



Conventional wisdom suggests that when it comes to investing, it's wise not to have all your eggs in one basket. But when it comes to superannuation funds, the opposite is the case. Of course, the diversification of investments within your super account is still recommended.

Why? Because, if you've changed jobs over the years, you probably have super scattered around in different superannuation schemes or funds, which have been set up by your various employers. The problem with this is that you're eroding your retirement savings because you're paying fees and charges in each of those funds. And those fees can really add up.

In general, consolidating your super is a good idea but you do have to check a few things first. There may be exit fees

applied by some of your old funds or you may have insurance with them which might not be available at the destination fund. To check on this, you should contact your old fund or seek advice from one of our financial planners.

To stop wasting money on multiple fees and charges, it pays to move all of your super into one superannuation fund. As a member of the Energy Industries Superannuation Scheme, you get competitive investment returns, some of the lowest fees around and other member benefits.

To consolidate your super with EISS today simply download the "Transfer-in Authority" form from www.eisuper.com.au or call us on **1300 369 901** for more information.

Regional office details:

Lismore
81- 83 Molesworth St

Newcastle
161 King St

Orange
187 Summer St

Parramatta
Suite 3, Ground floor, 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.

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.

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.

Investment performance as at 30 June 2010

1 year

Strategy	%p.a.*
High Growth	11.1
Diversified	10.5
Balanced	11.7
Capital Guarded	10.2
Cash	4.5

5 year returns

Strategy	%p.a.*
High Growth	1.4
Diversified	2.2
Balanced	3.0
Capital Guarded	3.3
Cash	5.1

* All returns are shown to one decimal place.

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.

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.



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