

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



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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.

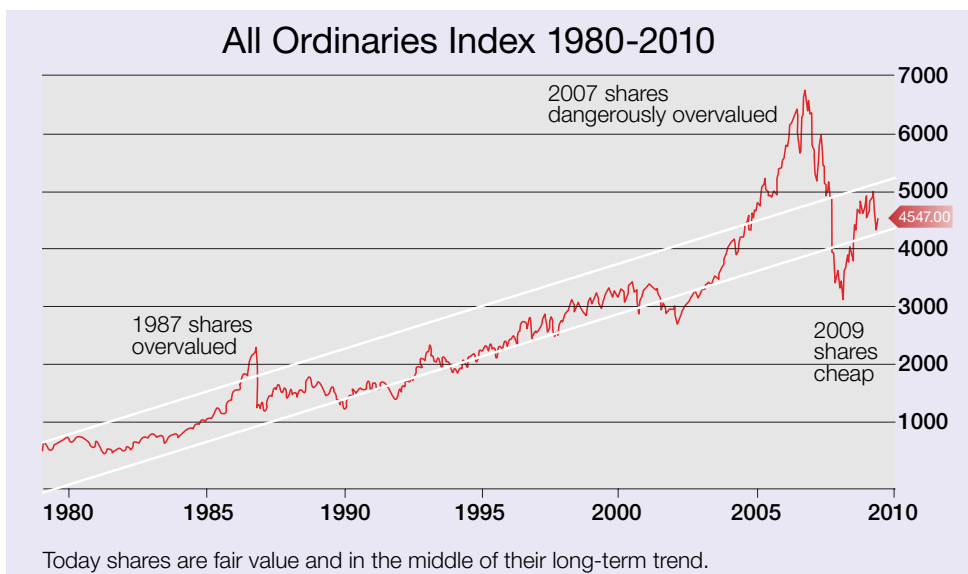
A general rule of investing is that you buy when prices are low and sell when prices are high. If we accept this advice,

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**.



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?
- 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?

Investor risk profile descriptions

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:

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.

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.



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 how much money you will need before you can retire?

Yes No

Do you know what retirement options are available?

Yes No

Do you know if you are eligible for Centrelink benefits on retirement and how to maximise them?

Yes No

Do you have insurance to protect your income?

Yes No

Do you have insurance to protect your family in the event of you becoming physically incapacitated or if you die?

Yes No

Do you have a formal or informal financial plan in place?

Yes No

Do you know what investment strategy suits you best?

Yes No

Do your investments provide you with the appropriate mix of growth and income?

Yes No

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.



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

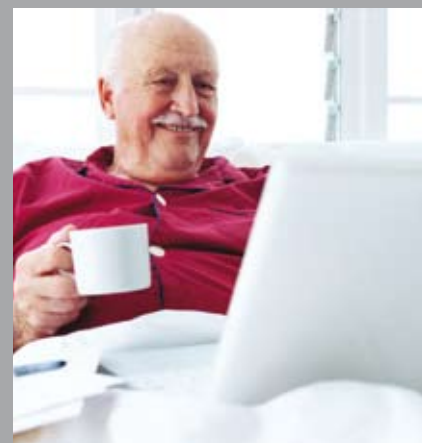
For more detail about these and other changes included in the Budget please go to our website www.eisuper.com.au



Would you like to have a better understanding of how to manage your money, increase your savings, improve your investment portfolio or ensure you have enough on which to retire?

As a valued member you can attend a FREE pre-retirement seminar. To view our full calendar of up-coming seminars, visit www.eisuper.com.au/seminar/seminarcalendar.asp

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*.

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 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.

Fair Go 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 <http://www.eisuper.com.au/fairgo/insure.asp> for more information, quotes and to purchase your insurance online.

*Terms & Conditions apply.

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 entitlements?
We can help you.
- Need insurance?
We can help you.

Call 1300 369 901 for more information.

Frequently asked questions



Q: Transition to Retirement Pensions: What are they and how do they work?

A: While putting more of your money into superannuation via salary sacrifice# can be a tax-effective way to build your retirement savings, it's a trade-off because the more salary you sacrifice, the less you have to live on. But if you're over 55* and plan to continue working, there's a clever way to make your super savings grow faster—without it affecting your lifestyle.

Under the Transition to Retirement (TTR) rules, you can top up your income by converting part of your existing super to an Account-Based Pension. This facility then pays you a regular income, or pension, which in turn allows you to put a larger part of the salary from your job back into your super. So your super grows through salary sacrifice, but your lifestyle is maintained because you live on the combination of the Account-based pension income plus the balance of your salary.

If your circumstances are right, the benefits of doing this can be considerable. For example:

- You may pay less tax because your salary sacrificed super contributions are taxed at 15%, rather than your current marginal tax rate (which could be as high as 46.5%).
- You may pay less income tax because the proportion of your salary you take in cash will be substantially reduced.
- You may pay less tax because the amount you draw from your pension attracts a 15% pension offset.
- You may pay less tax on your investment earnings because Account-based pensions attract no tax on earnings, compared to up to 15% on superannuation earnings and your marginal tax rate on earnings from investments outside of superannuation.
- Your retirement savings could grow at a faster rate because you're putting more in, and saving on tax.

Effectively, you could be drawing an income from your super and salary sacrificing your wages and saving yourself tax. It's better in your pocket!

For more information, call **1300 883 788**.

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

A: 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**.

Salary sacrifice is a method of making super contributions from your gross income. Your money enters the super fund as an Employer Contribution and is only taxed at a maximum of 15% (not your marginal tax rate). As a result, your taxable income may be decreased and more money will enter the fund. Your employer must agree to allow you to salary sacrifice and you should check if they will still then pay your Super Guarantee, leave payments and other entitlements on your pre-salary sacrifice income. You may wish to seek financial advice to check if salary sacrifice is the right thing for you to do.

* Members born after 1 July 1960 will not have access to a TTR pension until they reach early retirement age, which will be after age 55.

Investment performance

12 months to 30 June 2010

Strategy	%*
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

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.

* All returns are shown to one decimal place.

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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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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