

Directions

Online update for advisers

July 2004

Important changes to investment and insurance conditions

The trustee of the Aon Master Trust has recently completed its three-yearly review of the Trust's investment and insurance conditions. As a result of the review, a number of improvements and changes to the Trust's investment options and insurance terms were implemented on 1 July 2004.

INVESTMENT

As part of the review of the Trust's investment operations, the trustee incorporated a new investment manager ranking system designed by Aon's Global Research Unit. The ranking system ensures only investment managers that meet certain standards can be used by the Aon Master Trust.

The broad outcome of the investment review is that we have added an index suite of options within our Tier 1 Pre-mixed range, and closed some of the options previously available within our Tier 3 Specialist range.

There has been no change to the Tier 2 Sector options.

We have included a table summarising the changes but the important point is that there will be **no impact on existing clients who may be invested in a closed option**. While these options will be closed to new investment from 1 July 2004, existing investments will not be affected and they will remain in the closed fund. Contributions to the closed funds will be allowed in accordance with the current investment strategy.

The new index suite of options is managed by State Street Global Advisers, and they are an important addition to our pre-mixed range. We have negotiated a very competitive flat investment management fee of 0.15% for all options in the index range.

TIER 1 Pre-mixed options

ACTIVE

High Growth Balanced Growth Balanced Capital Stable Secure

INDEX (NEW)

High Growth Balanced Growth Balanced Capital Stable Secure

TIER 2 Sector options

NO CHANGE

TIER 3 Specialist options

Australian shares

Alpha Australian Equity Trust
 AMP Sustainable Future Aust Share Fund
 AMP Capital Investors Australian Share
 Barclays - Australian Alpha Equity Fund

Colonial First State Imputation Fund
 Credit Suisse Australian Shares Fund
 Deutsche Australian Equities Alpha Fund
 ING Wholesale Australian Share Trust
 JF Capital Partners Australian Shares

Merrill Lynch Wholesale Imputation Fund
 Perpetual's Wholesale Australian Fund
 Perpetual's Wholesale Industrial Fund
 Vanguard Australian Shares Index Fund
 SSgA Australian Equities Index (NEW)

International shares

ABN AMRO Global Equity Fund
 AMP Capital Investors PST Int Share Portfolio
 AXA Wholesale Global Equity Growth Fund
 Coastal International Equity Fund

Credit Suisse International Shares PST
 Fidelity Perpetual Japan Fund
 Fidelity Perpetual South East Asia Fund
 Macquarie Global Small Companies Solution
 MFS Global Equity Trust

Platinum International Fund
 Vanguard International Share Indexed Fund
 SSgA International Equities Index (NEW)
 Wellington Global Research Equity Portfolio

Property

AMP Core Property Portfolio (NEW)
 BT Wholesale Property Investment Fund

HSBC SectorChoice PST - Property Securities
 SSgA Australian Listed Property Index

Vanguard Property Securities Index Fund

Fixed interest

BT Wholesale Fixed Interest Fund
 Macquarie Global Bond Solution

SSgA Australian Fixed Income Index (NEW)
 SSgA Global Fixed Income Index (NEW)

Vanguard Internl Fixed Int Index Fund
 Vanguard Australian Fixed Interest Index Fund

Alternative

CDC IXIS Australia Aurora II Fund (NEW)
 Coastal Magnum Diversified Perf'ce Fund

Coastal International Equity Fund
 Deutsche Strategic Value Fund

Vertex Aust Long/Short Equity Fund (NEW)
 Warakirri Absolute Return Funds

Diversified

Barclays Diversified Growth Fund
 Barclays Diversified Stable Fund
 BT Wholesale Active Balanced Fund
 Credit Suisse Capital Growth PST

Credit Suisse Capital Stable PST
 HSBC Balanced PST
 HSBC Capital Stable PST
 ING Managed Growth Trust
 Merrill Lynch Wholesale Balanced Fund

MLC Conservative Option
 MLC Moderate Option
 MLC Assertive Option
 MLC Aggressive Option

INSURANCE

The Trust's incumbent insurer, American International Assurance Company (Australia) Limited (AIA), which trades in Australia as AIG Life, has been reappointed, with some important enhancements to terms and conditions. In brief, these are a reduction in group life premiums, an increase in salary continuance rates, reclassified occupational loadings, and some changes to the automatic acceptance levels.

Premium rates

The age-based death and TPD rates have been reduced by 7% across all age groups, which will mean a reduction in the amount deducted from members' accounts for death and TPD cover.

Salary continuance rates have risen by 12% across all ages. We have tried to keep this increase to a minimum and we believe this rise is less than the industry average. Unfortunately, with the dramatic contraction in the number of insurers offering salary continuance insurance (SCI), some increase in rates was inevitable.

It is important to note that the changes to the occupational loadings (see below) mean that if a member is classed lower than grey collar, then the increase in the age-based premium rates for SCI may be offset by the reduction in occupational loadings.

We have drafted letters to be sent to all members affected by the rise in salary continuance premiums and we will send these to you shortly.

Occupational loadings

The revisions to our occupational loadings are summarised in the table. Previous loadings are shown in brackets where there has been a change.

Occupational category	Death only factor	Death and TPD factor	SCI male	SCI female
Professional	0.90 (0.92)	0.875 (0.90)	0.90 (0.85)	1.35 (1.275)
White collar	1.00	1.00	1.00	1.00
Grey collar	1.25	1.375 (1.50)	1.35	2.025
Blue collar	1.50 (1.85)	1.75 (2.50)	1.75 (2.50)	2.625 (3.75)
Heavy blue collar	2.00	2.50 (3.50)	3.00 (3.50)	4.50 (5.25)

Automatic acceptance levels

The main change to the AALs is the removal of the 5 to 9 member category for both death and TPD and salary continuance cover, which means that AALs now only apply to funds with 10 or more members. This exclusion of smaller funds has become common practice within the industry. **(Note that this change only affects plans that have joined the Trust after 1 July 2004.)**

FEES

There have also been some changes to fees for Corporate Division members following the review. The new fees are summarised in the table.

FEE	CORPORATE DIVISION	PERSONAL DIVISION	PAID TO ADVISER
Contributions/transfer fee	N/A	Up to 5.0%	100% of fee
Administration fee	Nil to 1.9% pa	Nil to 1.9% pa	100% of fee above 0.5% pa (up to 1.4% pa max)
Adviser service fee	N/A	Up to 0.4% pa	100% of fee
Investment management fee	0.15% to 1.66% pa	0.15% to 1.66% pa	Nil
Expense recovery fee	Nil to 0.1% pa	Nil to 0.1% pa	Nil
Member fee	\$4 per month	\$4 per month	Nil
Withdrawal fee	\$50	\$50	Nil
Switching fee	Six free per year, then \$30 per switch	Six free per year, then \$30 per switch	Nil
Insurance brokerage	30% of premium	30% of premium	Up to 70% of fee (i.e. 21% of premium)