

# Directions

May 2005



## Welcome to the latest edition of Directions

Amid all the fuss about choice of fund, it's important not to lose sight of the real reason that choice is being introduced. And that is to give members the very best opportunity to provide for their financial future.

In the choice environment, members will be free to choose the fund that best suits their needs – at least for their employer's compulsory superannuation guarantee contributions.

The key to the success of choice is education. You can't choose the fund that best suits your needs if you don't know what your needs are! So you should try to clarify your financial needs and objectives before you make any decisions about which fund to choose. This will probably be easier with the help of a qualified financial adviser. Call our customer contact centre to find out more about financial planning and the services Aon's financial planners offer.

Generally speaking, the increased competition that will accompany the introduction of choice of fund can only be good for consumers because greater competition typically leads to lower prices and better service. And remember, if you have any questions about choice of fund, call our customer contact centre.

*Steven Gaffney  
Director, Superannuation  
Aon Consulting*

## inside...

- > discount on personal insurance
- > 60 second health check
- > get the facts with our Fact Sheets

## Ready, Set...

On 1 July, almost 5 million Australian employees will be able to choose which super fund their 9% compulsory contributions are paid into. At present, employees have to put their money into the fund chosen by their employer.

Naturally, we are encouraging all our members to remain in the Aon Master Trust but at the same time, we understand that members want to know that the fund they're in is a good one.

With this in mind, we've prepared a series of Questions and Answers that will help you make the right decision.

Our customer contact centre and client service team have been fielding lots of questions about choice over the last few months and we've included a selection of them here. If you have a question that we haven't covered, please call our contact centre on 1300 880 588 from 7am to 7pm.

### I've heard a lot about choice of fund. Do I actually have to do anything?

No. It's not compulsory to make a choice. If you don't choose, your contributions will go into the 'default' fund chosen by your employer. Your employer has to provide you with details of the default fund within 28 days of starting employment, or, for existing members, within 28 days of



1 July 2005. If you decide later that the 'default' fund isn't appropriate, you can switch to another fund. You are allowed to switch funds once a year.

### Can you tell me a bit about the fees charged by super funds?

All superannuation funds charge fees that usually vary according to the

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## Are you self-employed?

We are currently reviewing our records to ensure we have all members' employment status recorded correctly. This is important because it affects the tax treatment of contributions. We recently sent a letter asking all self-employed members to confirm their employment status.

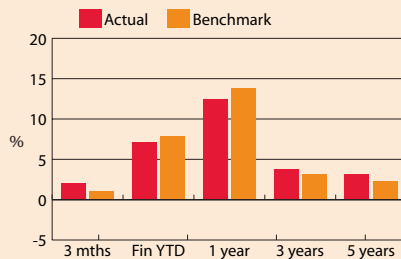
If you didn't receive a letter and you are self-employed, would you please call our customer contact centre on 1300 880 588. Thank you.

# aon master trust investment performance

## Pre-mixed options

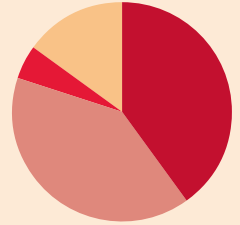
### High Growth

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa	5 yrs % pa
actual	2.1	7.1	12.5	3.8	3.2
benchmark	1.1	7.9	13.8	3.2	2.3



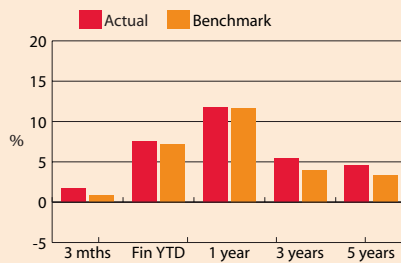
#### Asset allocation

Australian shares	40.0%
International shares	40.0%
Real assets	5.0%
Alternative assets	15.0%



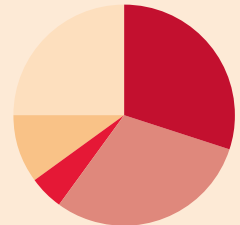
### Balanced Growth

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa	5 yrs % pa
actual	1.7	7.6	11.8	5.4	4.6
benchmark	0.8	7.2	11.7	4.0	3.3



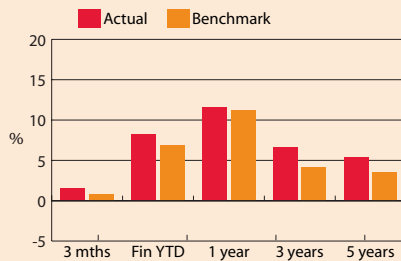
#### Asset allocation

Australian shares	30.0%
International shares	30.0%
Real assets	5.0%
Alternative assets	10.0%
Diversified fixed interest	25.0%



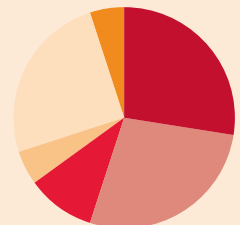
### Balanced

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa	5 yrs % pa
actual	1.5	8.3	11.6	6.6	5.4
benchmark	0.8	6.9	11.2	4.1	3.5



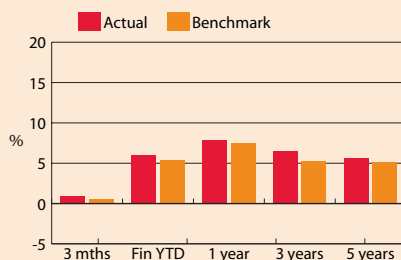
#### Asset allocation

Australian shares	27.5%
International shares	27.5%
Real assets	10.0%
Alternative assets	5.0%
Diversified fixed interest	25.0%
Cash	5.0%



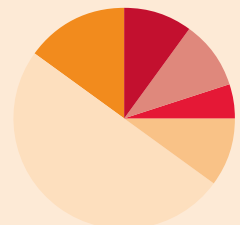
### Capital Stable

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa	5 yrs % pa
actual	0.9	6.0	7.9	6.5	5.6
benchmark	0.6	5.4	7.5	5.3	5.1



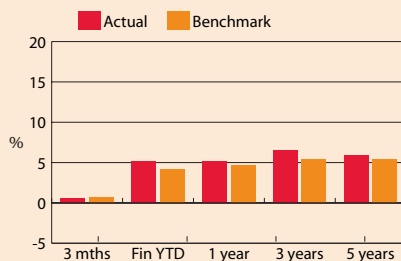
#### Asset allocation

Australian shares	10.0%
International shares	10.0%
Real assets	5.0%
Alternative assets	10.0%
Diversified fixed interest	50.0%
Cash	15.0%



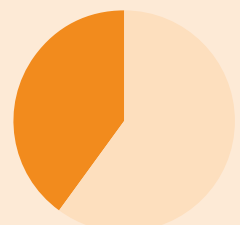
### Secure

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa	5 yrs % pa
actual	0.6	5.1	5.1	6.5	5.9
benchmark	0.7	4.2	4.7	5.4	5.4



#### Asset allocation

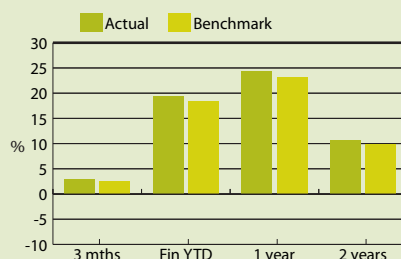
Diversified fixed interest	60.0%
Cash	40.0%



## Sector options

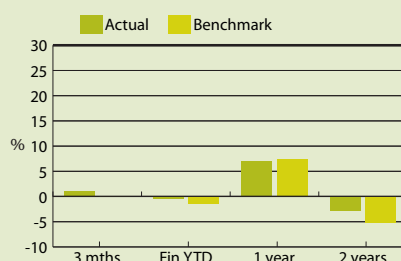
### Australian shares

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa
<b>actual</b>	2.8	19.3	24.3	10.6
<b>benchmark</b>	2.5	18.3	23.1	9.8



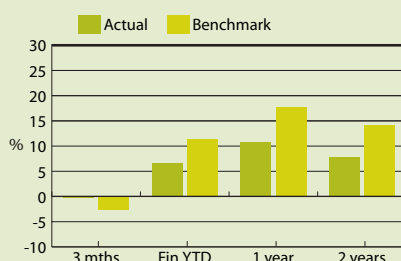
### International shares

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa
<b>actual</b>	1.0	-0.5	7.1	-2.8
<b>benchmark</b>	0.1	-1.4	7.5	-5.3



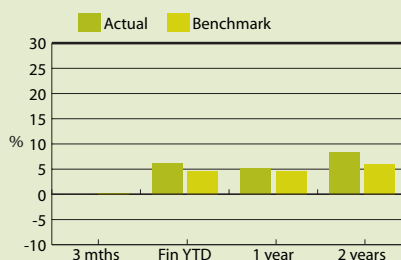
### Property

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa
<b>actual</b>	-0.2	6.7	10.8	7.9
<b>benchmark</b>	-2.9	11.5	17.8	14.2



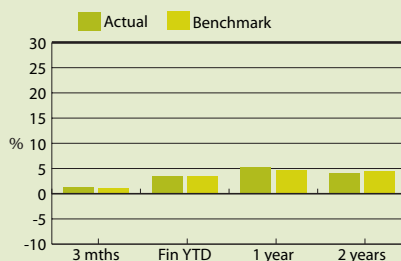
### Diversified fixed interest

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa
<b>actual</b>	0.0	6.2	5.3	8.4
<b>benchmark</b>	0.3	4.6	4.7	6.0



### Cash

Net returns	3 mths %	Fin YTD %	1 yr % pa	3 yrs % pa
<b>actual</b>	1.2	3.5	5.2	4.1
<b>benchmark</b>	1.1	3.5	4.7	4.4



%

3 mths % Fin YTD % 1 yr W% 2 yrs %

#### AUSTRALIAN SHARES

ALPHA AUSTRALIAN EQUITY	2.7	18.3	22.1	20.9
AMP SUSTAINABLE FUTURE AUST SHARE	0.2	16.2	19.9	20.5
BGI - AUST ALPHA EQUITY	2.1	17.6	21.0	13.2
COLONIAL FIRST STATE IMPUTATION	1.6	18.3	22.3	19.3
CREDIT SUISSE AUST SHARES#	-0.9	8.5	9.9	13.2
DEUTSCHE AUST EQUITIES ALPHA	0.7	22.2	27.4	27.0
ING AUSTRALIAN SHARE#	3.7	21.8	25.0	20.8
ING EMERGING COMPANIES#	4.9	36.1	40.9	40.4
JFCP AUST SHARES	4.3	22.2	28.8	25.1
MERRILL LYNCH IMPUTATION#	3.3	18.7	22.5	21.0
PERPETUAL'S AUSTRALIAN#	1.9	19.9	23.8	19.4
PERPETUAL'S INDUSTRIAL	-1.3	14.1	19.8	20.6
SSGA INDEX AUSTRALIAN SHARES	3.4	N/A	N/A	N/A

#### INTERNATIONAL SHARES

ABN AMRO GLOBAL EQUITY#	-0.1	-6.5	0.0	0.7
AXA GLOBAL EQUITY GROWTH#	-0.5	-2.5	4.3	3.4
CREDIT SUISSE INTERNATIONAL SHARES	-0.9	-3.6	2.9	7.0
MACQUARIE GLOBAL SMALL COMPANIES	2.9	2.3	9.7	16.4
MFS GLOBAL EQUITY#	0.5	0.0	10.5	5.2
PLATINUM INTERNATIONAL	0.1	-0.1	3.0	15.7
SSGA INDEX INTERNATIONAL SHARES	-0.5	N/A	N/A	N/A
WELLINGTON GLOBAL RESEARCH	-1.0	0.0	8.1	6.9

#### PROPERTY

AMP AUST CORE PROPERTY PORTFOLIO	2.0	N/A	N/A	N/A
BT PROPERTY INVESTMENT#	-3.1	12.1	19.1	15.4
HSBC PROPERTY SECURITIES	-3.0	11.8	17.4	14.0
SSGA AUST LISTED PROPERTY INDEX	-2.8	N/A	N/A	N/A

#### FIXED INTEREST

BT FIXED INTEREST#	0.2	3.4	3.9	3.3
MACQUARIE GLOBAL BOND SOLUTION	0.2	6.1	4.7	7.1
SSGA INDEX AUST FIXED INCOME	-0.1	N/A	N/A	N/A
SSGA INDEX GLOBAL FIXED INCOME	1.3	N/A	N/A	N/A

#### ALTERNATIVE ASSETS

IXIS AUSTRALIA AURORA II	3.5	N/A	N/A	N/A
COASTAL INTERNATIONAL EQUITY	1.7	3.6	4.6	#N/A
COASTAL MAGNUM DIV PERFORMANCE	6.1	5.9	5.8	6.9
DEUTSCHE STRATEGIC VALUE#	3.3	4.6	5.3	6.4
VERTEX AUST LONG/SHORT	-0.3	N/A	N/A	N/A
WARAKIRRI ABSOLUTE RETURN	4.6	9.2	10.4	10.6

#### DIVERSIFIED

BGI DIVERSIFIED GROWTH	1.7	10.4	N/A	N/A
BGI DIVERSIFIED STABLE	1.3	7.1	N/A	N/A
BT ACTIVE BALANCED#	1.4	10.5	15.3	17.4
CREDIT SUISSE CAPITAL GROWTH#	0.4	6.7	9.6	11.2
CREDIT SUISSE CAPITAL STABLE#	0.7	5.6	6.9	7.8
HSBC BALANCED#	0.9	9.0	13.8	14.0
HSBC CAPITAL STABLE#	0.6	5.5	7.8	7.8
ING MANAGED GROWTH	1.4	9.9	14.6	13.4
MERRILL LYNCH BALANCED#	1.4	8.5	12.2	12.7
MLC AGGRESSIVE	1.0	9.9	N/A	N/A
MLC ASSERTIVE	0.9	8.1	N/A	N/A
MLC MODERATE	0.9	9.3	N/A	N/A
MLC CONSERVATIVE	0.6	5.1	N/A	N/A

# Not available as a specialist manager option

## 'China syndrome' sustains market performance

March quarter investment market performance was more subdued compared to the last half of 2004 but still produced positive returns.

Australian shares continued to deliver above long-term average performance, returning 2.6% for the quarter and 25.4% for the year. The outstanding performer was the resources market, which was boosted by China's healthy appetite for commodities, particularly oil, iron ore and nickel.

Since the March highs, concerns about inflation, interest rates and weaker profits have slowed the share market and we appear to have entered a tougher phase in the investment cycle.

Australian listed property securities declined 3.1% over the quarter, taking some pressure off a market that has run hard over the last year.

The overseas share market returned 0.2%, in contrast to the good returns of previous quarters. While the US economy is in reasonably good shape, there are concerns about debt levels and inflation.

Global markets are watching China very closely to gauge if and when the rapid growth and demand will slow. China has been a source of huge demand but is increasingly becoming a major competitor to other "supplying" countries.

Oil prices surged over the quarter, rising 27.6% for the quarter and 54.7% for the year. The higher oil prices could become a threat to economic growth if they persist.

## Spotlight on



Based in Melbourne, JF Capital Partners Ltd (JFCP) was established in February 1999. JFCP is a specialist wholesale Australian shares manager with approximately \$2.8 billion of funds under management as at 1 January 2005. JFCP is one of the Aon Master Trust's specialist Australian shares managers. We spoke to Mike Fitzsimmons, JFCP's Chief Investment Officer.

### Can you briefly describe JFCP's investment approach?

Our approach to investing in the Australian share market is quite simple. We use in-depth research to assess the "fundamental" or true value of a company then exploit any difference between this value and the company's current share price.

### Tell us a bit about your investment strategy

We use three key ingredients to achieve our objective – one: a disciplined investment process; two: an experienced, committed, stable investment team; and three: the patience that enables us to offer our clients a truly active share market product that delivers superior long-term returns.

### How would you describe your investment style?

We apply a "bottom-up" investment style, which simply means we use internal research to produce detailed strategic analysis and cash flow-based valuations of Australian companies. The size and experience of the investment team facilitates broad market coverage and very detailed financial statement analysis, modelling and forecasting.

### What sort of things do you consider as part of your research?

We look for companies that have long-term competitive advantages and viable growth options. We examine the characteristics of the industry in which the company operates, the company's competitive position within the industry, and the growth prospects of both the company and the industry.

We review industry structure, barriers to entry, competition within the industry, industry dynamics (eg the power of buyers versus sellers), industry outlook, the company's competitive positioning in the industry, and the sustainability of its competitive edge.

Using this information, our analysts make forecasts of revenue growth, operating profit margins, capital efficiency and strategic growth options. In other words, we try to determine the "intrinsic" or true value of the company.

### And finally, has the process been working for you?

Since we implemented the new team structure about two years ago, we've seen a big improvement in our performance. Our net returns for the last two calendar years were 23% for 2003 and 31% for 2004.

With six years under our belt, we now have more experience and a much broader coverage of stocks. That has created a great number of opportunities for us.

## Notes

### Actual returns

All the returns are based on the unit prices of each option. Returns are net of investment fees, and an allowance for tax on the investment income, but before any Aon Master Trust fees. Before 1 July 2001, the returns for the pre-mixed options are based on the equivalent option in Aon Master Trust.

### Benchmark returns

The benchmark returns for the pre-mixed options and sector options are calculated using the asset class indices listed below. Note that the benchmarks for the pre-mixed options are weighted according to the asset allocation for each option. See the asset allocation pie charts for the specific weights used for each pre-mixed option.

Australian shares	S&P/ASX 200 Accum
International shares	MSCI World ex-Aust Net (AUD)
Property	S&P/ASX 200 – Property Trusts (GIC) Accum
Diversified fixed interest	75% UBSWA Composite Bond Index / 25% Citigroup WGBI Hedged (AUD)
Cash	UBSWA Bank Bill Index

### Asset allocation

The pie charts show long-term strategic asset allocations for the pre-mixed options. Actual asset allocations are maintained within  $\pm 2\%$  of strategic asset allocations.

## Getting a discount on your personal insurance is easy through Aon

At Aon Personal Insurance we believe that getting a discount on your insurance should be easy. That's why we've developed [www.apigold.aon.com.au](http://www.apigold.aon.com.au) – to offer Aon Master Trust members premium discounts of up to 20%\* on all of our online personal insurance products.

### An easy way to feel secure

There are many benefits in trusting your finances to one of the world's largest insurance consultants. In addition to the strength, security and performance you have come to expect from the Aon Master Trust, you can also benefit through Aon Personal Insurance. We've teamed up with CGU Insurance – part of Insurance Australia Group – so you know we have the expertise and be there when it counts.

Aon Personal Insurance is Aon's domestic insurance division that specialises in insurance products such as:

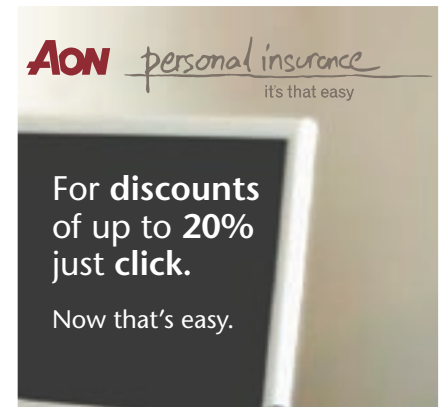
- Home and Contents Insurance
- Private Motor Vehicle Insurance
- Landlord's Property Protection Insurance
- Strata Insurance
- Travel Insurance
- Private Boat Insurance

Aon Personal Insurance offers a range of personal insurance solutions designed to reduce the amount of time you spend dealing with your personal insurance.

- Easy payment options, such as credit card and pay by the month – all at no extra cost

- Paperless claims
- 24-hour on-line access
- 24-hour emergency assistance help line

To get your Aon Master Trust member discount, simply log onto our website, [www.apigold.aon.com.au](http://www.apigold.aon.com.au) and receive premium discounts of up to 20%\* off all policies you buy online.



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## Get the facts with our fact sheets

One of our most important responsibilities is to keep our members informed and educated. This is particularly important as we move towards the introduction of choice of fund in July. Our fact sheets provide simple explanations of superannuation and investment topics. Go to the website and click "fact sheets" from the left-hand menu.

## 60-second health check

Use this 'sixty second financial health check' to see if you need a more thorough examination of your current financial situation.

	YES	NO
Do you know what your financial goals are?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have and work to a current financial plan to achieve your goals?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have sufficient income from another source to sustain your lifestyle if your own income stops because you are disabled?	<input type="checkbox"/>	<input type="checkbox"/>
Do you know how much money you're likely to need to sustain your lifestyle when you stop working?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have a workable plan for generating regular tax-effective income in the future when you have retired?	<input type="checkbox"/>	<input type="checkbox"/>
Do you know how to minimise your taxation once you have retired?	<input type="checkbox"/>	<input type="checkbox"/>
Do you have an up-to-date will, power of attorney and estate plan?	<input type="checkbox"/>	<input type="checkbox"/>
If something happens to you, are you absolutely sure your dependants will be financially secure?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered 'NO' to any questions, then perhaps you would benefit from a free, no obligation assessment of your financial situation by one of Aon's qualified financial planners. Call our Customer Contact Centre on 1300 880 588 for more information.

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size and type of your investment. For this reason, when it comes to fees, it's sometimes difficult to compare "apples with apples". For example, members of corporate funds typically pay lower administration fees than individual members because corporate (employer-sponsored) funds are usually larger which means they can spread costs over a larger asset base, and negotiate lower investment management fees and insurance premiums. This can be a big incentive for members to remain in their employer's fund.

The type of investment you choose also affects the fees you pay. For example, a cash investment is less expensive to manage than an international share investment and this will be reflected in their respective investment management fees.

From 1 July, super funds have to disclose all their fees in a special table in their Product Disclosure Statement (PDS), including a worked example of the fees in dollars. The PDS will usually show a fee range so to find out precisely what fees apply, you should check your Plan Outline that was issued when your employer joined the Aon Master Trust.

### How do I compare the investment performance of different funds?

There are some important points to remember when evaluating investment performance:

1. Most funds have investment objectives expressed in terms of performance against a benchmark. Typical benchmarks include the All Ordinaries Share Market Index, the Consumer Price Index, or the official cash rate. So before you make any decisions based on investment performance, make sure you understand the investment objectives of the fund.
2. Superannuation is a long-term investment and short-term figures,

such as the last 12 months or less, are not very meaningful.

3. When you're comparing investment performance, make sure you compare like with like. Most funds offer a number of basic investment options such as Cash, Capital Stable, Balanced, Growth and High Growth. If a fund has most of its money in cash and fixed interest investments, you shouldn't compare it to a fund that holds most of its money in shares.

### Do all funds offer automatic insurance cover?

Most super funds offer employer-sponsored members a basic level of insurance cover that is typically offered at low wholesale group life rates, often without medical examinations. While it's not compulsory to take out this cover, most members find it both convenient and cost-effective to do so. But under fund choice, this cover may be jeopardised if you switch into another fund. It can be expensive to buy the equivalent cover privately and a medical examination is usually required.

The Federal Government has responded by making it compulsory for all funds to offer minimum insurance cover. This a good start but it's still possible for people to switch out of a fund that has good cover into one with much less cover. So before you do anything, make sure you understand the implications for your insurance cover.

### Where can I go for financial advice?

Members of the Aon Master Trust have access to financial advice through our sister company, Aon Wealth Management (AWM). The first interview for Aon Master Trust members is free of charge. As well as fully explaining the new choice of fund rules, your AWM planner will provide advice on superannuation, investment, insurance, tax management, and estate planning.

You could also contact the Financial Planning Association of Australia (FPA). The FPA provides general information on financial planning on their website [www.fpa.asn.au](http://www.fpa.asn.au)

### Want more info? Try these websites

The Australian Securities and Investments Commission's free booklet Super Choices can help you understand and make decisions about your superannuation.	<a href="http://www.superchoice.com.au">www.superchoice.com.au</a> 13 28 64
The Australian Securities and Investments Commission consumer website, FIDO, which has lots of general information about superannuation, including a superannuation calculator.	<a href="http://www.fido.gov.au">www.fido.gov.au</a> 1300 300 630
The Tax Office has information about lost superannuation accounts, co-contributions, tax rules and self managed superannuation funds.	<a href="http://www.ato.gov.au/super">www.ato.gov.au/super</a> 13 10 20
The Association of Superannuation Funds of Australia has consumer fact sheets, calculators and a superannuation dictionary.	<a href="http://www.superannuation.asn.au">www.superannuation.asn.au</a> 02 9264 9300 or 1800 812 798
The National Information Centre on Retirement Investments website for free, independent information about superannuation and tax.	<a href="http://www.nicri.org.au">www.nicri.org.au</a>
The Financial Planning Association of Australia.	<a href="http://www.fpa.asn.au">www.fpa.asn.au</a> 03 9627 5200 or 1800 337 301

## Contacting us

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