



## Investment changes and improvements

*As part of the trustee's three-yearly review of the Aon Master Trust's investment menu, a number of changes and improvements have been made in Corporate Super and Personal Super.*

### TIER 1: PRE-MIXED OPTIONS – re-definition

Performance history shows that the Balanced Growth and Balanced options have tended to behave very similarly in a given environment. This similarity effectively reduces the range of risk/return choices available to members in Tier 1: Pre-mixed options.

Changes effective 30 June 2007 provide greater growth/defensive distinction between these two options in particular and across Tier 1: Pre-mixed options generally.

The 30 June changes are:

- **New option name**  
Balanced Growth becomes Growth.
- **New objectives**  
New objectives for Tier 1: Pre-mixed options measure performance against the Consumer Price Index (CPI), making it easier for members to understand the 'real' return the option is aiming to achieve. See Table A.
- **New strategic asset allocations**  
The strategic asset allocation (the mix of assets that is most likely to achieve the option's objective) for each of the Tier 1: Pre-mixed options has changed in line with the new objectives.

As you can see in Tables B and C, the key changes are:

- Higher exposure to growth assets in all options except High Growth and Secure.
- Lower exposure to defensive assets in all options except High Growth and Secure.

These re-allocations place the new Growth option (85% growth assets/15% defensive assets) mid-way between High Growth (100/0) and Balanced (70/30).



## TIER 2: SECTOR OPTIONS – two new options

Two new options have been established in Tier 2: Sector options. They offer a growth and a defensive alternative option. See Table D for details of these two new options.

As these new options are priced daily, the units in them are easier to buy and sell than units in the terminating Tier 3: Specialist options (see below). Investors can switch in or out of these options relatively quickly.

## TIER 2: SECTOR OPTIONS – new objectives and benchmarks

Property and Diversified fixed interest have revised objectives and benchmarks as from 30 June 2007. See Table E.

## TIER 3: SPECIALIST OPTIONS – terminations

The following Tier 3: Specialist options were closed to new investors as of 10 April 2007 and terminated on 1 June 2007.

### Corporate Super and Personal Super

Australian shares:

- Alpha Investment Management Australian Equity Trust.

Alternative investments:

- Coastal International Equity Fund
- Coastal Magnum Diversified Performance Fund
- IXIS Aurora II Australia Fund
- Warakirri Absolute Return Fund.

On termination of these options on 1 June 2007, assets were transferred to Tier 2: Sector options unless the member instructed otherwise.

## Why these options were terminated

### Alpha Investment Management Australian Equity Trust

The dramatic decline in unit-holders in this product made it an unviable option from the manager's perspective. The manager closed this product and transferred assets at no cost to the Aon Master Trust.

### Alternative options

Assets within these options could not be readily bought and sold, which could cause unavoidable delays in completing investment switches – up to three months in some cases. This drove the trustee's decision to terminate these options.

**Table A TIER 1: PRE-MIXED OPTIONS – new objectives (30 June 2007)**

	<b>Active options</b> To provide a return:	<b>Index options</b> To provide a return:
<b>High Growth</b>	at least 5.5% pa above CPI over rolling five-year periods.	at least 5.0% pa above CPI over rolling five-year periods.
<b>Growth</b>	at least 5% pa above CPI over rolling five-year periods.	at least 4.5% pa above CPI over rolling five-year periods.
<b>Balanced</b>	at least 4.5% pa above CPI over rolling five-year periods.	at least 4.0% pa above CPI over rolling five-year periods.
<b>Capital Stable</b>	at least 3.5% pa above CPI over rolling three-year periods.	at least 3.0% pa above CPI over rolling three-year periods.
<b>Secure</b>	at least 2.25% pa above CPI over rolling two-year periods.	at least 2.0% pa above CPI over rolling two-year periods.

**Table B TIER 1: PRE-MIXED ACTIVE OPTIONS – strategic asset allocations (old and new from 30/6/07)**

	High Growth		Growth		Balanced		Capital Stable		Secure	
	old	new	old	new	old	new	old	new	old	new
Aus shares	40	44	30	37.5	27.5	30	10	12	0	0
Int'l shares	40	44	30	37.5	27.5	30	10	12	0	0
Property	5	7	5	6	5	6	5	6	0	0
Alt-growth <sup>1</sup>	15	5	10	4	5	4	0	0	0	0
<b>Growth</b>	<b>100</b>	<b>100</b>	<b>75</b>	<b>85</b>	<b>65</b>	<b>70</b>	<b>25</b>	<b>30</b>	<b>0</b>	<b>0</b>
Alt-defensive <sup>2</sup>	0	0	0	5	5	5	10	10	0	5
Fixed interest <sup>3</sup>	0	0	25	10	25	20	50	50	60	55
Cash	0	0	0	0	5	5	15	10	40	40
<b>Defensive</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>15</b>	<b>35</b>	<b>30</b>	<b>75</b>	<b>70</b>	<b>100</b>	<b>100</b>

<sup>1</sup> This asset class changed from "Alternative assets" to "Alternative-growth" effective 30 June 2007.

<sup>2</sup> This asset class changed from "Market neutral assets" to "Alternative-defensive" effective 30 June 2007.

<sup>3</sup> Fixed interest is split between Australian and international fixed interest effective 30 June 2007. For the purposes of this table, it is shown as one line item.

**Table C TIER 1: PRE-MIXED INDEX OPTIONS – strategic asset allocations (old and new from 30/6/07)**

	High Growth		Growth		Balanced		Capital Stable		Secure	
	old	new	old	new	old	new	old	new	old	new
Aus shares	50	46	35	39	30	32	10	12	0	0
Int'l shares	50	46	35	39	30	32	10	12	0	0
Property	0	8	5	7	5	6	5	6	0	0
<b>Growth</b>	<b>100</b>	<b>100</b>	<b>75</b>	<b>85</b>	<b>65</b>	<b>70</b>	<b>25</b>	<b>30</b>	<b>0</b>	<b>0</b>
Fixed int (Aus)	0	0	12.5	7.5	15	12.5	30	30	30	30
Fixed int (int'l)	0	0	12.5	7.5	15	12.5	30	30	30	30
Cash	0	0	0	0	5	5	15	10	40	40
<b>Defensive</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>15</b>	<b>35</b>	<b>30</b>	<b>75</b>	<b>70</b>	<b>100</b>	<b>100</b>

Note: To minimise any transition costs of the changes to strategic asset allocations, the trustee will manage cash flow, until the new structure is fully implemented during the third quarter of 2007, to move towards the new asset allocation. This means that the actual asset allocation in some asset classes may be outside the normal 2% rebalancing range.

**Table D TIER 2: SECTOR OPTIONS – two new options**

	Alternative – growth	Alternative – defensive
<b>Objective</b>	To provide a return that exceeds the benchmark index by 2.5% pa over rolling five-year periods.	To provide a return that exceeds the benchmark index by 2.5% pa over rolling three-year periods.
<b>Benchmark</b>	<ul style="list-style-type: none"> <li>• 50% MSCI World ex Aust Net (AUD) unhedged</li> <li>• 50% UBS Warburg Australia Bank Bill Index</li> </ul>	UBS Warburg Australia Bank Bill Index
<b>Risk/return profile</b>	Returns are consistent in the medium term and typically uncorrelated with traditional asset classes.	Returns are consistent in the short to medium term and typically uncorrelated with traditional asset classes.
<b>Benchmark asset allocation</b>	<ul style="list-style-type: none"> <li>• 90% Global infrastructure, multi-strategy hedge funds and commodities</li> <li>• 10% Cash</li> </ul>	<ul style="list-style-type: none"> <li>• 85% Multi-strategy hedge funds</li> <li>• 15% Cash</li> </ul>
<b>Management fee</b>	0.74% pa	1.24% pa
<b>Performance fee<sup>1</sup></b>	0–0.50% pa	0 – 0.40% pa

<sup>1</sup> Provided as a range of possible outcomes. Performance fees are paid only when an investment manager or product outperforms an agreed benchmark. The fee is a small proportion of the overall outperformance and if returns fall short of benchmarks, no performance fees are paid.

**Table E TIER 2: SECTOR OPTIONS – objectives and benchmarks**

	Old		New (30/6/07)	
	Objective	Benchmark	Objective	Benchmark
<b>Property</b>	To provide a return that exceeds the benchmark index by 0.25% pa over rolling five-year periods.	S&P/ASX 200 – Property Trusts (GICS) Accumulation Index.	To provide a return that exceeds the benchmark index by 0.75% pa over rolling five-year periods.	<ul style="list-style-type: none"> <li>• 75% S&amp;P/ASX 200 – Property Trusts (GICS) Accumulation Index</li> <li>• 25% Mercer Unlisted Property Index</li> </ul>
<b>Diversified fixed interest</b>	To provide a return that exceeds the benchmark index by 1% pa over rolling three-year periods.	<ul style="list-style-type: none"> <li>• 75% UBS Australian Composite Bond Index 0+Yr</li> <li>• 25% Citigroup WGBI Hedged (AUD)</li> </ul>	To provide a return that exceeds the benchmark index by 0.75% pa over rolling three-year periods.	<ul style="list-style-type: none"> <li>• 50% UBS Australian Composite Bond Index 0+Yr</li> <li>• 50% Citigroup WGBI Hedged (AUD)</li> </ul>

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