

GUIDE TO INVESTMENT RISK AND RETURN

DECEMBER 2011

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THIS GUIDE IS DESIGNED TO HELP YOU CHOOSE AN ASSET ALLOCATION FOR YOUR INVESTMENT OR SUPER PORTFOLIO. IT PROVIDES AN EXPLANATION OF THE TERMS AND CONCEPTS YOU'LL COME ACROSS WHEN MAKING ONE OF YOUR MOST IMPORTANT INVESTMENT DECISIONS.

What is an asset allocation?

Your asset allocation is the mix of investment types that make up your portfolio. Investment types can be split into categories which are also known as asset classes. The generally recognised asset classes are:

- Cash
- Diversified fixed interest*
- Property
- Australian shares
- International shares
- Alternatives*

Why is asset allocation important?

Most investment experts will tell you that your asset allocation is the single most important factor in the returns that your portfolio will generate.

Even though there are thousands of investment products available, it's widely recognised that for most investors, it's the asset allocation (rather than the actual investment products) which make the difference between poor returns and good returns.

While not as visible as returns, the right asset allocation may also help to reduce the risk within your portfolio.

RETURN AND RISK

Return

For many people, investment objectives are about growing their funds to meet specific goals, for example, renovating their home, becoming free of debt or providing for retirement. In most cases, success in reaching your goals will be largely dependent on returns. You will require your investments to deliver sufficient returns to achieve your goals.

Return can be in the form of income or growth.

Income returns include dividends received on shares, interest earned on bank term deposits and rental income on property.

Growth returns include the rise in value of shares or the increase in value of a property you hold.

Some investments only provide income returns (for example, bank term deposits) whereas other investments, such as shares and property, generally provide both income and growth returns. For example, shares in a large company usually pay a dividend (this is the income return) and may increase in value over time (this is the growth return). In these cases, the total return is calculated as the income return plus the growth return.

If a share is worth \$10 when you buy it and \$11 a year later, the growth return is 10%. During this period, a dividend of 40 cents may also be paid to you which is an income return of 4% on your \$10 investment.

Risk

Risk has a number of different definitions but it is commonly thought of in three ways:

- **The probability of losing your initial investment.** For example, there's a risk that the company you invest in could be poorly managed and you could lose your total investment. This scenario is highly unlikely to occur with investments in large companies, but it does happen occasionally (for example, HIH Insurance, Enron).
- **The probability of not receiving your expected growth return.** For example, there's a risk that the share price of the company you invest in could go down to \$8, rather than up to \$20 as expected.
- **The probability of not receiving your expected income return.** For example, there's a risk that the company you invest in may only pay a dividend of 15 cents, instead of the expected dividend of 40 cents.

A low risk investment has a low probability that these events will occur. For example, a fixed term deposit with a bank is low risk. From the start, you generally know how much income you'll receive (that is the interest rate) and that you'll get your initial investment back at the end.

Shares and property investments are considered to be higher risk investments as there is greater probability of capital loss or of not getting the returns you expect.

Risk and return always go together

While everyone would like to maximise return and minimise risk, and would love to have a return every year of 20% with no chance of investments falling in value, the reality is that these investments don't exist.

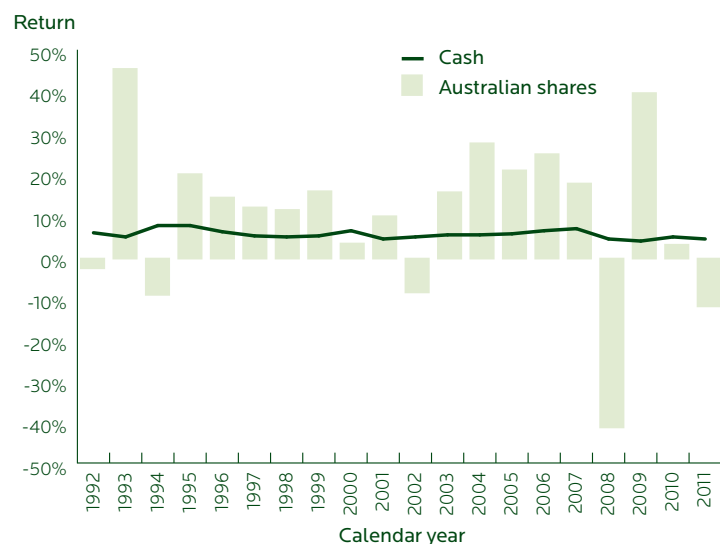
Studies show that, in general, people are not averse to risk but rather they have an aversion to loss. Put simply, this means that people are often more sensitive to losses incurred than they are to gains received.

Some investment products offer the potential of higher returns, but with these products there is always a higher risk of your investment falling in value. For example, Australian shares increased by 45.4% in 1993, but fell by 40.4% in 2008.

At the other end of the spectrum, a bank term deposit will offer a low risk strategy as the value of your investment is unlikely to fall. But while the value of your investment is unlikely to fall, the return offered by the bank for that term deposit will be low, relative to potential returns from other, higher-risk investments.

The following graph compares the annual returns for Australian shares and cash over the last 20 years.

Australian shares and cash annual returns



Source: Bloomberg, eQR securities.

To obtain higher returns you must also be prepared to take on the higher risk of your investment falling in value. If you are not prepared to take on the higher risk, then you will need to accept lower returns on your investments.

SELECTING THE RIGHT ASSET ALLOCATION

The right asset allocation will vary from person to person and is dependent on your personal circumstances and investment goals. The three most important factors are:

- How long do you have to invest? Will you need access to your funds in a few years or can you leave them invested for many years?
- What returns do you want to achieve? Will you meet your investment goals if you only achieve a return of 5% per annum or do you need investments that can provide 8% per annum?
- How much risk are you prepared to accept? Would you be comfortable if your portfolio could fall by up to 5% over your investment time frame? What if, in any one year period, it could fall by more than 16%?

Your personal tolerance to risk and volatility is an important consideration here. Two investors with the same investment goals and investment time frame can have different asset allocations and both may be appropriate simply because they have different tolerances to risk.

Once you understand your personal circumstances, your aim should be to either:

- determine the level of risk you are prepared to accept and then seek to maximise the return on your portfolio; or
- determine the return you would like to achieve and then seek to minimise the risk required to achieve this return.

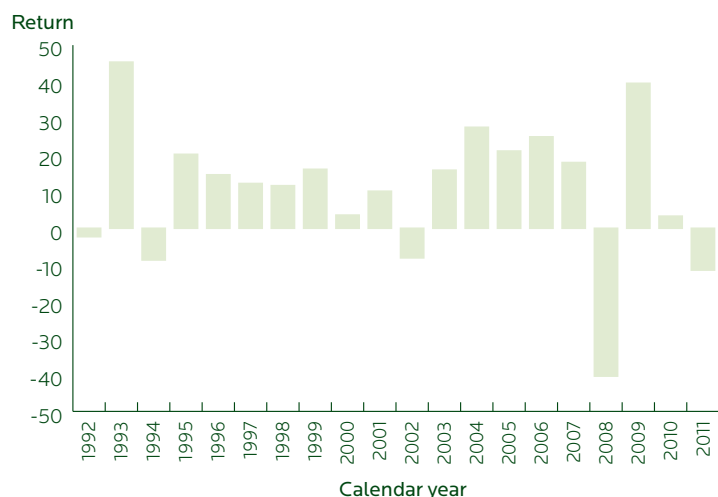
This guide will help you understand some of the key terms and concepts which explain how you can achieve these outcomes. With this understanding, your financial adviser will take you through the Asset Allocation Strategy Workbook which will help you to select a suitable asset allocation.

THE IMPORTANCE OF YOUR INVESTMENT TIME FRAME

Your investment time frame is a good starting point in choosing your asset allocation. Whether you're investing your funds for a long term goal, such as your retirement in 20 years time, or saving for the car you're buying in two years time, your investment time frame should have a significant impact on your asset allocation decision.

The graph below shows the annual calendar year total returns for Australian shares over the last 20 years. It's clear (and not surprising) that returns fluctuate from year to year with no real pattern. This is why investments in shares are considered volatile and unpredictable in the short term.

Australian shares annual returns

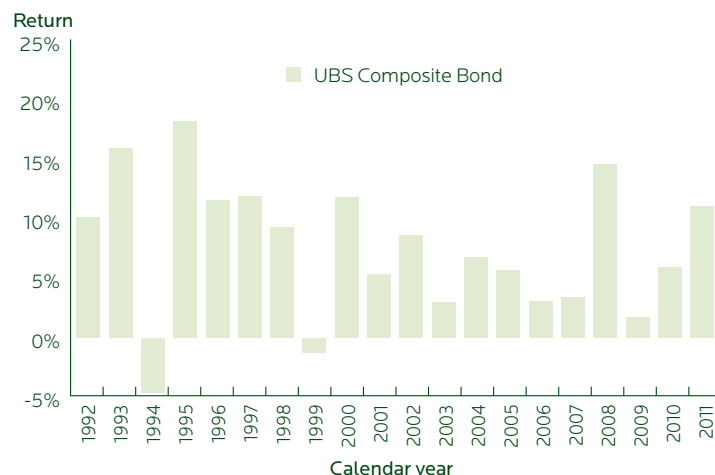


Source: Bloomberg, eQR securities.

If your investment time frame was one year and you were concerned about your investment falling in value by 10% in that year, you'd be unlikely to invest in Australian shares and would choose an asset class which is not as volatile.

An alternative investment is cash, through a bank term deposit which is unlikely to fall in value by 10%. Another option would be an Australian fixed interest investment which, as the following graph shows, has had no negative returns in any calendar year in the past 20 years excluding 1994 and 1999.

Australian fixed interest annual returns

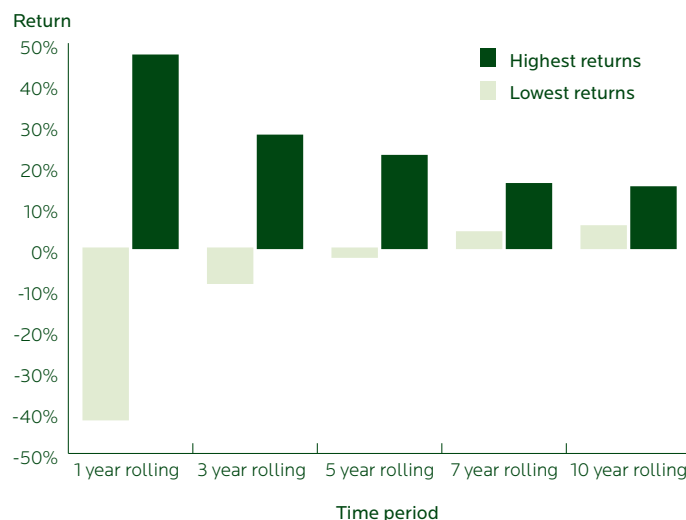


Source: Bloomberg, eQR securities.

The key message here is that cash and fixed interest investments are the best way to preserve the value of your funds in the short term and are preferred by most investors who are investing for less than three years.

What if you are looking to invest your money for a longer investment time frame? The following graph shows the highest and lowest returns for Australian shares for different investment time frames over the last 10 years.

Australian shares highest and lowest returns from December 2001 to December 2011



Source: Bloomberg, eQR securities.

What this graph clearly demonstrates is that the risk of your Australian share portfolio falling declines over time. If you had an

investment time horizon of five years or longer, the years when your shares lose value are cancelled out by the years in which your shares increase in value, so overall your returns are positive.

This analysis shows that the time you'll be invested in the Australian share market is an important consideration in the risk and return relationship. If you're invested for longer periods of time, the probability of a negative return falls. This provides you with greater choice in the investments you can choose from.

DEFENSIVE ASSETS

Defensive assets are asset classes that provide investors with a lower risk/lower return balance. They offer greater certainty in their value and are more stable in their returns.

- Fixed interest – investment options include bonds, bank bills, mortgage funds and debentures
- Cash – investment options include bank deposits, bank bills and treasury notes.

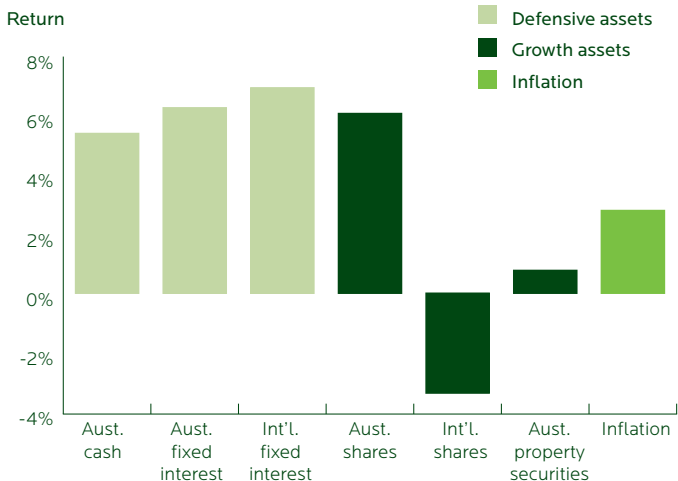
GROWTH ASSETS

Growth assets are asset classes that provide investors with a higher risk/higher return balance. They may offer higher returns but this is at the expense of potential falls in value and less stability in the income they provide. Examples of growth asset classes are:

- Property – investment options include listed property trusts, and directly purchasing industrial, commercial or residential property
- Shares – investment options include companies listed on the Australian Stock Exchange or any foreign stock exchange.

The graph on this page show the annualised returns for each asset class over the last 10 years. Over this period, your portfolio would have achieved the best returns if you had invested in International fixed interest.

Annualised asset class returns
(10 years to December 2011)



Source: Bloomberg, eQR securities.

HISTORICAL INVESTMENT RETURNS

Most investors will invest more in shares and property where they have an investment time frame greater than seven years.

Growth assets are particularly suited to superannuation investments if you have 20 or 30 years until you retire. The long-term investment time frame means you will have less difficulty riding out any short-term volatility, as falls in equity or property markets can be expected to have recovered by the time you retire and need to access your funds. Even during retirement, growth assets can initially be appropriate as you may have another 20 or 30 years to enjoy your retirement. As your time in retirement progresses, the allocation to growth assets can be reduced in favour of more defensive assets.

What if you have short and long-term investment goals?

This is a common occurrence. You may be saving for retirement which is 20 years away, as well as putting money aside for your children's education which is 10 years away - but you may also have some short-term needs like the holiday next year and the new car the year after.

As we've explained, your investment time frame should impact your choice of asset allocation, but how should you deal with contradictory investment time frames?

The best solution is to separate your short-term and long-term goals, work out how much you need for each, and then determine the asset allocation separately.

For example, you could invest the funds for retirement and education predominantly in growth assets and set aside the funds for the holiday and new car in a cash investment. By using a cash investment, you know that the funds you'll need in the short term are likely to be worth what you expect them to be worth at the time you need them. You also won't need to call on your shares and property investments, which may have suffered significant falls in value in the short term.

Any asset class can be a winner

Asset classes don't all have good years and bad years at the same time. It's just as likely that some asset classes will have above average returns in a particular year while other asset classes will have below average returns.

As the table on page 7 shows, in any given year any asset class can provide the lowest or highest return.

Shares and property, as expected, are more likely to provide the highest returns in a year, but they're also most likely to experience significant falls.

Conversely, cash and fixed interest are more likely to provide the lowest return, but the returns are very rarely negative.

DIVERSIFICATION

You would have heard the saying many times that you shouldn't put all your eggs in one basket. Nowhere is this more important than when it comes to choosing your asset allocation and setting up your investment portfolio.

The table on the next page shows that had you invested purely in Australian shares in 2009, your return would have been 39.6%. But if you decided to invest only in international fixed interest in 2009, your return would have only been 0.7%.

No one can predict which asset classes will perform well in any one year, so it makes sense to diversify – or spread – your investment across different asset classes and investment products to reduce your risk of loss.

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Year Ending	Australian Cash	Aust Fixed Interest	Int'l Fixed Interest	Diversified Mix Portfolio	Australian Shares	Int'l Shares	Australian Property Securities	CPI
31 December 1991	11.2%	24.7%	16.0%	24.7%	34.2%	20.2%	20.1%	1.5%
31 December 1992	6.9%	10.4%	5.8%	3.5%	-2.3%	4.8%	7.0%	0.3%
31 December 1993	5.4%	16.3%	11.1%	28.7%	45.4%	24.5%	30.1%	1.9%
31 December 1994	5.3%	-4.7%	0.2%	-6.0%	-8.7%	-8.4%	-5.6%	2.5%
31 December 1995	8.0%	18.6%	19.7%	20.1%	20.2%	26.1%	12.7%	5.1%
31 December 1996	7.6%	11.9%	4.9%	10.6%	14.6%	6.2%	14.5%	1.5%
31 December 1997	5.6%	12.2%	3.8%	19.0%	12.2%	41.6%	20.3%	-0.2%
31 December 1998	5.1%	9.5%	13.7%	17.1%	11.6%	32.3%	18.0%	1.6%
31 December 1999	5.0%	-1.2%	-5.2%	8.9%	16.1%	17.2%	-5.0%	1.8%
31 December 2000	6.2%	12.0%	3.2%	5.8%	3.6%	2.2%	17.8%	5.8%
31 December 2001	5.3%	5.5%	1.6%	3.6%	10.1%	-10.0%	14.6%	3.1%
31 December 2002	4.8%	8.8%	16.5%	-5.1%	-8.1%	-27.4%	11.8%	3.0%
31 December 2003	4.9%	3.0%	12.5%	8.4%	15.9%	-0.8%	8.8%	2.4%
31 December 2004	5.6%	7.0%	9.3%	17.7%	27.6%	9.9%	32.0%	2.6%
31 December 2005	5.7%	5.8%	-4.5%	13.3%	21.1%	16.8%	12.5%	2.8%
31 December 2006	6.0%	3.1%	7.0%	16.6%	25.0%	11.5%	34.0%	3.3%
31 December 2007	6.8%	3.5%	9.5%	6.8%	18.0%	-2.6%	-8.4%	3.0%
31 December 2008	7.6%	14.9%	4.8%	-22.9%	-40.4%	-24.9%	-54.0%	3.6%
31 December 2009	3.5%	1.7%	6.9%	15.8%	39.6%	-0.3%	7.9%	2.1%
31 December 2010	4.7%	6.0%	5.5%	2.3%	3.3%	-2.0%	-0.4%	2.7%
31 December 2011	4.3%	11.4%	5.6%	-3.1%	-11.4%	-5.3%	-1.5%	3.5%
Annualised Return over 10 Years (% pa)	5.4%	6.5%	7.2%	4.2%	6.3%	-3.5%	0.8%	2.9%
Annualised Return over 20 Years (% pa)	5.7%	7.6%	6.4%	7.4%	8.9%	4.1%	6.2%	2.6%
Value of \$10,000 invested for the past 20 years	\$30,340.29	\$43,519.94	\$34,721.33	\$41,749.05	\$54,752.21	\$22,540.32	\$33,333.46	\$16,745.40
Highest Return (% pa)	8.0%	18.6%	19.7%	28.7%	45.4%	41.6%	34.0%	5.8%
Lowest Return (% pa)	3.5%	-4.7%	-5.2%	-22.9%	-40.4%	-27.4%	-54.0%	-0.2%
Range of Returns (High/Low)	4.5%	23.3%	24.9%	51.6%	85.8%	69.0%	88.0%	6.0%
Rank (Based on 20 yr ann.)	5	2	3		1	6	4	

DEFINITIONS

Australian Cash

UBS Bank Bill 0+ years

Aust Fixed Interest

UBS Composite 0+ years

Int'l Fixed Interest

Barclay Global Aggregate Unhedged in USD

Australian Shares

All Ordinaries Accumulation Index

Int'l Shares

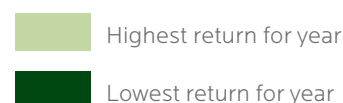
MSCI World ex Australia (Net Dividends) Standard in AUD

Australian Property Securities

S&P/ASX 200 Property

CPI

ABS - All Groups CPI



Source: Bloomberg, eQR securities.

* See MSCI disclaimer on page 6.

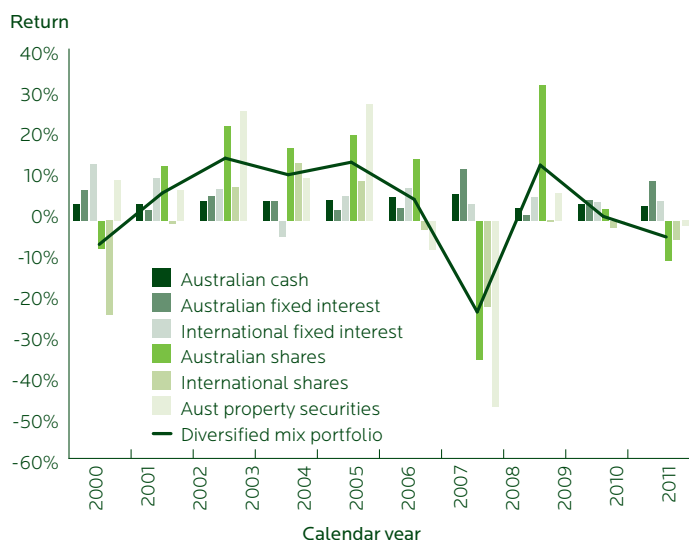
Diversification allows you to combine the benefits of potentially higher returns from growth assets with the reduced risk that defensive assets provide. A simple example is provided in the diversified mix column in the historical investment returns table on page 7. This portfolio is a typical Balanced Allocation.

The diversified mix portfolio has lower risk than the growth asset classes. As the chart below shows, the growth asset classes fell between 24.9% and 54.0% during the 2008 global market downturn. Although the diversified mix portfolio also produced a negative return (-22.9%), its loss in value was less pronounced than that of the growth asset classes. 2008 was an extraordinarily bad year for all the growth asset classes. But if you look back to previous years you can see investment markets were less volatile and the diversified mix portfolio produced a positive return in most years.

If one or two asset classes perform poorly (as, for example, they did in 1999), then you've generally got others which will perform better and compensate for some or all of the losses.

The chart below shows how a balanced portfolio that is diversified across all asset classes smoothes your return over time. The line is the return you would have received had you invested in the diversified mix portfolio rather than any particular asset class. You can see that the highs and lows have been smoothed out along the way, providing you with a more consistent return.

Return for diversified mix versus each asset class (last 10 years)



Source: Bloomberg, eQR securities.

Diversification within asset classes

Diversification works across asset classes as explained above, but it also works within asset classes as the investments within an asset class can perform differently. For example, there are hundreds of Australian shares that you can invest in (and dozens of managed investments comprising Australian shares) but they don't all perform in the same way at the same time.

Some will do very well when the share market is rising, whereas others may do better when the market is falling.

Likewise, some will do well when the Australian dollar is rising, whereas others may do better when it's falling.

Your financial adviser will recommend more than one investment manager for each asset class to get the benefits of diversification. Your overall portfolio will be made up of a number of different investments for each asset class.

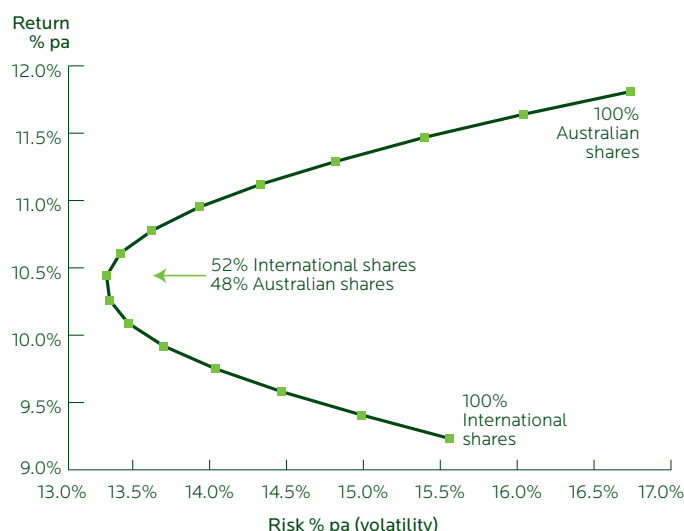
Getting more technical

We've shown that diversification reduces risk in a portfolio, but the question that follows is, what is the best mix of assets? Is there a better way to diversify other than just splitting the allocation evenly across the asset classes?

This question can only be answered when we measure risk as well as return for various portfolios and then compare the results.

The following graph, which plots the risk and return for different portfolios comprising only international and Australian shares, is a simple example of this.

Risk and return for different mixes of Australian and international shares can reduce risk



Source: Bloomberg, eQR securities Based on data from December 1979 to December 2011.

The risk and return graph on page 8 shows that the lowest risk occurs where you have a portfolio comprising 48% Australian shares and 52% international shares. If you wanted to have the asset mix with the lowest risk, this would be the one you would choose. But, if you wanted the asset mix that would give you the highest return, you would choose the portfolio of 100% Australian shares, which generates a return of 11.70% with a risk of 16.75%.

What is better – higher return or lower risk?

The comparison of portfolios with different mixes of Australian and international shares highlights the risk/return trade-off.

The answer to the question of whether higher return or lower risk is better will be a personal preference dependant on your comfort in taking risks and the strength of your desire to maximise returns – there's not necessarily a right answer. But, there can be some wrong answers. By looking at the Risk/Return graph on page 8, you can see there are some portfolios on the upper curve which provide greater returns than portfolios on the lower curve, but at the same level of risk. This clearly demonstrates that getting the right mix of asset classes, that is, the right asset allocation, is critical in getting the best return for the lowest risk.

This analysis has been relatively straightforward with only two asset classes involved, but what if all six asset classes were included? Despite the analysis becoming increasingly technical and complicated, the same principles apply. There will be certain asset allocations which provide better returns but have a higher risk, and likewise, there will be asset allocations which have lower risk but provide lower returns.

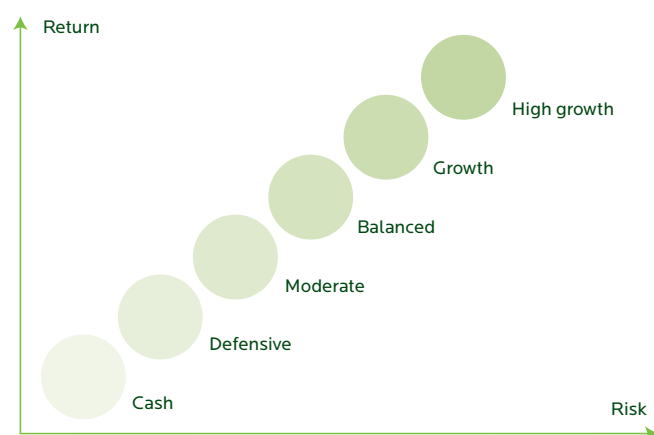
This is why it's important to get the right asset allocation for your portfolio.

BENCHMARK PORTFOLIOS

You may now be recognising that there are thousands of potential combinations of asset classes. So how do we come up with the asset allocation to get the best returns for different levels of risk? This is a complex exercise which requires systems to calculate what is called the 'efficient frontier'.

The efficient frontier is the combination of asset classes, that is, the asset allocations, that provide the best return for each level of risk.

Even on the efficient frontier there are hundreds of asset allocations to choose from, so to make the selection process easier we provide a small number of asset allocations at various points on the efficient frontier. These are known as 'Benchmark portfolios'.



As shown by the graph above, the benchmark portfolios each have quite different levels of risk and return. The table on page 10 provides further information on the risk and return characteristics of the benchmark portfolios.

Where to now?

Selecting your asset allocation is one of the most important investment decisions you will make. With your financial adviser's help, you can select the asset allocation to match your investment time frame, risk and return.

- How long do you have to invest? Is it a short-term goal or should you invest in growth assets (which may potentially give you a higher return) because you won't need access to funds for many years?
- What returns do you want to achieve? Will you meet your investment goals if you achieve a return of 5% per annum or do you need investments that can offer 10% per annum?
- How much risk are you prepared to accept? Would you be comfortable if your portfolio could fall in value by up to 5% over your investment time frame? What if, in any one year period, it could fall by 20%?

These considerations all go together and trade-offs are often required as you don't get return without risk. While you may want the 10% return, you may not be comfortable with the risk that goes with this portfolio.

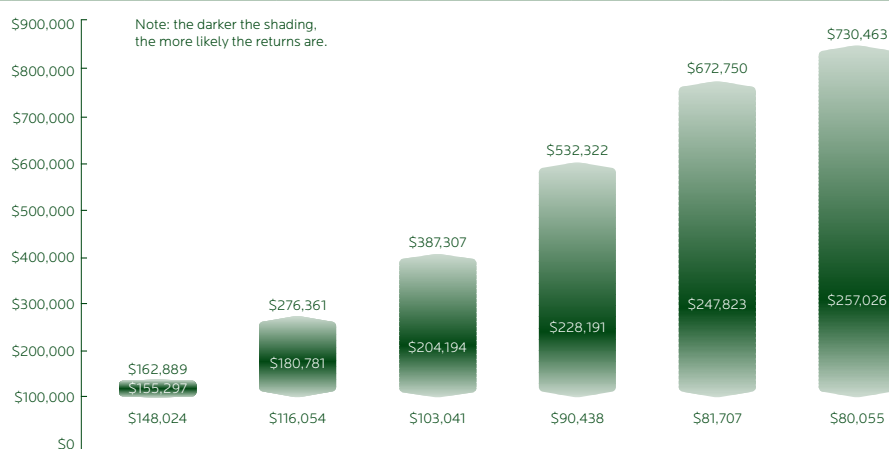
This is where selecting the right asset allocation will take thought and consideration and you will need some guidance from your financial adviser to come up with an asset allocation that suits you. To help with this process, your financial adviser may use the Asset Allocation Strategy Workbook.

This workbook provides a series of benchmark portfolios and explains the risk and return characteristics of each. It also includes a 'comfort test' to confirm you are comfortable with the risk in the portfolio you have selected.

Note: All information presented should be read with reference to the 'Important information' on page 11.

Benchmark portfolios	Cash	Defensive	Moderate	Balanced	Growth	High Growth
Suggested minimum Investment Timeframe ¹	Any	3–5 yrs	3–5 yrs	5–7 years	7–10 years	10+ years
Asset allocation (%)						
Australian cash	100.00	25.00	12.00	5.00	3.00	3.00
Diversified fixed interest ²	0.00	42.00	36.00	24.00	12.00	10.00
Australian shares	0.00	13.50	23.50	31.00	37.00	37.00
International shares	0.00	6.50	13.50	23.00	30.00	30.00
Property	0.00	8.00	8.00	8.00	8.00	10.00
Alternatives ⁴	0.00	5.00	7.00	9.00	10.00	10.00
Portfolio Total	100.00	100.00	100.00	100.00	100.00	100.00
Returns						
Targeted long term portfolio objective	N/A	Inflation +3.0%	Inflation +4.0%	Inflation +5.0%	Inflation +5.5%	Inflation +6.0%
Forecast return (10 years)~	4.5%	6.1%	7.4%	8.6%	9.5%	9.9%

Value of \$100,000 invested for 10 years³



Risk							
Range of Returns (pa).	5yr rolling forecast range (% pa):	4.2 to 5.5%	3.5 to 9.6%	2.1 to 12.3%	0.2 to 14.8%	-1.2% to 16.9%	-1.5% to 18.1%
	Worst case historical scenario ⁵	5.11%	-9.4%	-17.9%	-26.1%	-31.9%	-34.9%
	Date of worst case historical scenario ⁵	Sep 03	Nov 08	Nov 08	Nov 08	Nov 08	Nov 08
	Best case historical scenario ⁵	6.21%	16.3%	22.7%	28.7%	33.5%	37.0%
	Date of best case historical scenario ⁵	Oct 08	Mar 10	Mar 10	Mar 10	Mar 10	Mar 10
	Frequency of negative return (est 1 in 'x' yrs)*	0	10.8	6.7	5.4	4.9	4.8

¹ Minimum investment timeframe refers to the minimum period of time an investor should be prepared to remain within a given benchmark portfolio in order to recoup any past capital losses that could have been incurred from the initial investment, obviously taking into account the "entry point" and time needed to achieve the portfolio return objective and a normal business cycle.

² Diversified fixed interest includes investments such as Australian Fixed Interest, International Fixed Interest, Investment and non-investment grade credit and high yield debt.

³ The values of \$100,000 invested for 10 years are based on an exponential calculation using the long-term forecast return and the forecast standard deviation of the portfolio which is adjusted for a confidence interval using a student's t distribution.

⁴ Alternative investments include but are not limited to investments such as Hedge Funds, Fund of Fund Hedge Funds, Private Equity, Direct Infrastructure, Derivative

based funds, Currency and Commodity Funds.

⁵ The best and worst case historical scenario illustrates the best capital increase and worst capital loss respectively that would have been experienced over a rolling 12 month period. These figures have been calculated by applying the asset allocations of the benchmark portfolio against the asset class benchmark returns. This analysis has been carried out with the first 12 month rolling return commencing January 2001.

* Frequency of negative return does not mean you can not experience multiple years of negative returns. It reflects a distribution of expected return outcomes relative to the expected risk of the strategy.

- The returns for each benchmark portfolio are reviewed annually as part of the strategic review of each of the underlying asset classes.

Information based upon market data at December 2011.

IMPORTANT INFORMATION

General advice only

This guide is intended to provide general information only and doesn't take into account your objectives, financial situation or needs. It provides an overview or summary only and it shouldn't be considered a comprehensive statement on any matter or relied upon as such. You should therefore consider whether information contained in this document is appropriate to you having regard to your objectives, financial situation or needs before acting on it.

Please note that this guide provides information relating to common asset classes only. A particular investment may not fall within the asset classes described in this guide and this guide will therefore not apply in relation to that investment. Your financial adviser can give you information about that investment and other asset classes.

You should not make any investment decisions until your financial adviser has fully considered your personal circumstances and until you have been provided with, and read, a Statement of Advice and any relevant Product Disclosure Statement.

Historical information

The information in this guide (apart from that provided on page 10) describes actual returns in past years. You should always remember there is volatility across all asset classes and future returns will be different to past returns. The actual past returns quoted in this guide should not be read as guarantees of, or an indication of, likely future returns.

Forecast return information

The information on page 10 is forecast information provided by the BT Financial Group Advice & Private Banks Research and Strategy Team. Long term forecast returns and risk for each asset class have been based on the analysis of historical market data, fundamental economic factors and historical co-variances between the asset classes and are best estimates of asset class returns and risk.

These forecast figures provide a guide as to the likely future behaviour of returns for diversified portfolios and specific asset classes over time. The forecast returns in no way provide any guarantees of future performance and may not be a reliable indicator of future performance.

The forecast returns are based on the strategic long-term view of each asset class as at the end of December 2011. The forecast average return for each portfolio is based on the long term forecast returns of each asset class within the portfolio and the weight allocated to each asset class within the portfolio. Currently this produces higher forecast returns than the minimum long term portfolio objectives.

An inflation rate of 2.5% has been used for the Australian asset classes. The exposure to international asset classes required consideration of relevant economic factors for each country exposed. Portfolios have been constructed on the basis that 25% of the International Shares

allocation has been hedged and 75% has been unhedged. Also, 100% of the Commodities allocation has been hedged.

A confidence level is a statistical measure that illustrates the likelihood of an event taking place. In the case of the Benchmark Portfolio information on page 10, it looks at the likelihood of a return falling within the stated range and the likelihood of the value of an investment of \$100,000 over 10 years falling within a stated range.

'95% confidence' means that for the Value of \$100,000 invested for 10 years, there is a 5% probability that the expected returns fall outside the stated range. This is described as '95% confidence'.

Forecast returns don't make provision for investment fees and taxation as this will depend on the investments you select and your personal financial circumstances. However, the domestic equity forecasts do incorporate grossed-up franking credits and assume 80% of the dividends accrue franking credits.

What's happened in the past

Historical market data from January 2001 to December 2011 has been used in preparing the Benchmark Portfolios information on page 10. Historical market data demonstrates how each of the asset classes has performed in the past. From this we can gain insights into typical market trends, cycles and the relationships between different asset classes. These insights allow us to establish a starting point for the construction of the benchmark portfolios. It's important to note that because no market cycles are ever the same, historical returns are not an accurate indicator of likely future returns. We therefore also need to consider the economic outlook.

The economic outlook

The long-term economic environment and outlook sets the scene for what to expect from investments in the future. Fundamental economic factors such as the expected rate of inflation and the expected growth rate of companies provide indicators as to the direction of the economy and the potential for returns.

Whilst every effort has been taken to ensure that the assumptions on which the economic forecasts, outlooks and other forecast risks and returns are reasonable, they may be based on incorrect assumptions or may not take into account known or unknown risks and uncertainties.

IMPORTANT INFORMATION

This information was prepared by Securitor Financial Group Ltd, ABN 48 009 189 495 AFSL & Australian Credit Licence (ACL) 240687 (Securitor) and is current as at December 2011.

This publication provides an overview or summary only and it shouldn't be considered a comprehensive statement on any matter or relied upon as such. The information in this publication does not take into account your objectives, financial situation or needs and so you should consider its appropriateness having regard to these factors before acting on it and obtain financial advice. Any taxation position described in this publication is a general statement and should only be used as a guide. It does not constitute tax advice and is based on current tax laws and our interpretation.

Your individual situation may differ and you should seek independent professional tax advice. The rules associated with the super and tax regimes are complex and subject to change and the opportunities and effects will differ depending on your personal circumstances.