



Employer news

December 2009

Investment update

Commentary by Greg Nolan, CareSuper's General Manager – Investments

It may seem obvious, but superannuation is invested in local and global equity and bond markets, cash and property as well as assets with longer time horizons such as infrastructure and other alternative investments. Therefore it is timely to take a look at the economic factors that influence investment markets.

Now that it is generally agreed that the worst of the recent economic turbulence is over in Australia with leading indicators producing positive signs, the attention of the Government and the Reserve Bank of Australia (RBA) now turns to more normal fiscal and monetary policy issues, albeit that Australia is not immune to global trends and many of our trading partners are in different stages of recovery.

The two main issues that now face our policy makers are:

- 1 to wind back the unprecedented stimulus package of the past two years, which were used to prevent serious recession, to guard against unrestrained economic growth and inflationary pressures.
- 2 to be cognisant of the ever present risk of a 'double dip' in economic activity.

Recent pronouncements from both the RBA and Treasury have suggested that it is the former which is first and foremost in their minds. Hence the focus on monetary policy and the accompanying interest rate moves recently announced.

Even though increased interest rates do have their downside (increased mortgage rates), the fact that the interest rate cycle is likely to start turning

may be interpreted as a signal that economic growth is returning to normality - better economic conditions and improving job prospects, which should be reflected in company earnings, profitability and share prices.

With improving trends in most economic indicators it is suggested the recovery is becoming self-sustaining. However, the Australian experience is in contrast to the US, Europe and Japan which all had deep economic downturns, which will take longer to recover, and hence longer to commence increasing interest rates.

In moving early and pre-empting any significant inflationary trend, the RBA is aiming to keep the inflationary 'genie' in the bottle and should prevent the need for more substantial moves in future years. In Australia it has been suggested that the 'normal' level for cash is around 5%. Under current circumstances that level is unlikely to be met until late in 2010, with higher levels possible through 2011 to 2012 as the rest of the world recovers and begins to generate stronger economic growth.

The recent tightening cycle of interest rates in Australia may cause some jitters in the investment markets, but the moves should be viewed as the

inevitable consequence of an economy recovering from a severe economic shock and emerging to deliver more prosperous financial returns over the next few years.

Members with exposure to local and global equity markets should note that interest rates ticking up may, in the near term, herald a pause in the current rally that has translated through to an extremely strong recovery in the returns of all options exposed to shares within CareSuper. The CareSuper Balanced superannuation option has returned 8.1% for the financial year to 28/10/09.

Financial markets cannot be expected to rise as quickly as they have in the past six months without taking a breath. It is likely that share prices will be more dependent on earnings growth which could lead to more constrained returns in the near term. However, with economic indicators still rising, earnings improving, interest rates still low and investors relatively cashed up, there are positive signs for a long-term share market rally, albeit that there may be some bumps along the way. So, while we can all be somewhat relieved with the recovery currently being experienced, we should remember that investing is a cyclical business.

Did you know?

Your staff can keep a close eye on the performance of their CareSuper investment with our weekly investment return updates, available at caresuper.com.au

Top performance for our 10-year return.

CareSuper's 10-year return for the Balanced option continues to be ranked number 1* for the year ended September 2009. See how our Balanced option has performed against industry benchmarks:

Balanced option returns to 30 September 2009	Compound average returns			
	1 year (%)	3 year (% p.a.)	5 year (% p.a.)	10 year (% p.a.)
CareSuper Balanced option	-0.06	1.87	6.59	7.20
Median Balanced option	-0.79	0.03	5.55	6.00
Master Trust (retail) median	-1.47	-1.61	4.15	4.49

* Source: SuperRatings Fund Crediting Rate Survey – SR50 Balanced (60–76) Index, September 2009. This survey includes industry funds and master trusts.



Super updates

Take a look at the latest super news that may affect you and your staff.

New year, new insurance offer

CareSuper has reviewed its insurance cover to ensure we continue to offer our members a competitive product, with even more benefits. The new insurance design, scheduled for roll-out in the first quarter of 2010, will see default cover adopt a simple age-based structure to provide members with more appropriate cover during different phases of life.

i Want to find out more?

Keep an eye out for more information on our new insurance product which will be communicated to members and employers in the new year.

Helpful tips

Make 2010 a super year

CareSuper's Client Partnership Team can help you get off to a super start in 2010. Consider:

- 1 Booking super sessions early**
Your CareSuper CPM can deliver tailored super seminars relating to super. This includes super induction sessions for new starters.
- 2 On-site financial planning visits**
Did you know CareSuper members have access to free super-related advice on topics such as investment choice, contribution strategies, insurance and consolidation? And to make it easy for your staff, your CPM can arrange a financial planner to visit your workplace to speak to members one-on-one about super.*
- 3 Streamlining super payments via EmployerOnline**
Let your CPM show you the benefits of EmployerOnline to help you manage super with ease.
- 4 Doing a comparison**
See how CareSuper measures up against other super funds.
- 5 Updating your details**
Let your CPM know when your contact details or those of your company have changed, so that we can continue to communicate about super obligations.

* For more complex financial matters members can receive fee-for-service personal financial advice.

Phasing out faxes

As communicated in CareSuper's 2009 Employer Update, we'll be phasing out faxes for the purpose of making super contribution payments, from 1 February 2010.

This will facilitate the allocation of contribution payments to your employees' accounts in an accurate and timely manner, and reduce the likelihood of incorrect data being applied to your employees' accounts as a result of illegible or unclear faxes.

There is a range of alternative payment options so please speak to your CareSuper CPM or call the CareSuperLine on 1300 360 149 to find out the most suitable option for your organisation.

Super updates to your inbox

From time to time we send emails on a range of topics, from super news to investment updates. To receive email communications from us, make sure we have your correct email address recorded. Contact us on 1300 360 149 to update your details.

Contacting us during the holiday season

The CareSuperLine will operate during the holiday period, from Monday to Friday 8am–8pm (AEST), excluding public holidays. On December 24 and 31 it will close at 5pm.

If you wish to speak to your Client Partnership Manager, the state offices will be closed after Thursday 24 December, reopening on Monday 4 January 2010.

From the team at CareSuper, we'd like to wish you and your staff a happy and safe holiday season and we look forward to providing super solutions to you in the New Year.

CARE Super Pty Ltd (Trustee) ABN 91 006 670 060 AFSL 235226, CARE Super (Fund) ABN 98 172 275 725.

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Please note that past performance is not necessarily an indicator of future performance.

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