

January 2009

# SuperNews

## Extract from 5/1/2009 media release from Senator Nick Sherry

Senator Nick Sherry, Minister for Superannuation and Corporate Law, has urged Australians to make a new year's resolution to tidy up their superannuation and states –

“The past year has been a difficult one for super fund members due to effect of the global financial crisis, however, members should be aware that superannuation is a long-term investment and markets will recover”.

He further stated that –

“Members can take important steps to maximise their superannuation benefit long-term” and listed the following ways to maximise super:

- Consolidate your super accounts (the back page of this SuperNews has an authority to transfer form which you can complete and send to us with an original certified copy of your ID attached);
- Check fees and assess whether your fund is competitive – he stated that Treasury estimates that the average ongoing fee across the superannuation system is currently **1.25%** (see below for CSR Super's fees);
- Check returns over 5 – 7 years and see how your fund compares with peer funds (5 year returns shown in the net earning rates tables);
- Check your level of life insurance and assess whether it is adequate;
- Check you are making the right level of contributions and referred to the financial product regulator ASIC's website calculators (these can be found at [www.fido.gov.au](http://www.fido.gov.au)); and
- Provide your fund with your tax file number.

CSR Super management fees	
\$169.41 p.a. (gross of tax) i.e. \$144 p.a. or \$12 per month after tax; PLUS	
<b>High Growth Option</b>	- 0.62% p.a.
<b>Moderate Growth Option</b>	- 0.54% p.a.
<b>Lower Growth Option</b>	- 0.39% p.a.
<b>Protected Option</b>	- 0.21% p.a.

CSR Super is a not for profit fund run by members for the benefit of members and does not charge any entry fees, exit fees, switching fees, contribution fees and the Trustee pays no commission to any agents. You should refer to the CSR Super PDS for full information on fees.



## Investments

2008 has seen unprecedented volatility and declines in international and domestic equity markets. Concerns of a global slowdown earlier in the year developed into fears of a global recession as the US and then Germany, France, Spain and the UK announced they were in recession. Slowing growth and demand in Brazil, Russia, India and China further accentuated these fears while the global credit crisis continued causing severe dislocations in credit markets.

In the fourth quarter of 2008 all major markets posted negative returns. As Lehman Brothers' bankruptcy reverberated throughout world markets equities declined substantially in the US, Europe and Asia on confirmation that the US had been in recession since December 2007 and that Germany, France, Spain, Ireland and the UK were in or nearing recession. Additional bailouts of US automakers and financial firms along with significant fiscal stimulus packages announced in the US, UK, Eurozone and China began to lend some support to markets. Nonetheless, for the 12 months ending December all major equity markets posted declines in excess of 30-40%. Emerging markets were severely affected by domestic and global growth issues significantly underperforming developed markets as investor risk aversion increased.

Australian equities returned -18.5% for the December quarter. The one year return for Australian equities was -38.9% as markets both domestically and overseas fell heavily on growing global recession fears, credit concerns and rising unemployment. The Resource and Energy stocks, which had been the pillars of the Australian market, continued to be sold off on investor concerns of a global recession and significantly reduced demand. Oil, having reached a peak of over USD\$147 in mid 2008, and notwithstanding a succession of OPEC oil production cuts, collapsed over 70% to trade just above \$40.

The December quarter also saw a number of capital raisings by Australian corporates, particularly the major banks, in order to repair balance sheets and improve capital ratios. The Rudd government reacted to the unfolding global and domestic crisis with a number of measures such as the \$10.4 billion pre-Christmas package to seniors and low income earners.

The Australian bond market posted a strong return of 6.3% over the quarter. Perpetuating the performance and activity seen in the September quarter increasing risk aversion in the financial markets saw a flight-to-quality which resulted in buying activity in government bonds, with Australian government yields falling significantly throughout the quarter. Global credit spreads continued to widen in investment grade and non-investment grade bonds as the deteriorating global economy heightened risks of future defaults. In attempts to boost market liquidity and foster price stability, aggressive action was undertaken by several central banks. The US Federal Reserve continued to cut its target Fed Funds rate which sits at 0% in mid-December. In early January the Bank of England cut rates to 1.5%, which is the lowest level since the Bank's establishment in 1694. The Reserve Bank of Australia implemented its most aggressive rate cuts ever by taking the policy rate to 4.25%.

***CSR Super has delivered strong returns over the long term, driven mainly by the capital growth from equity markets. The market volatility and market declines witnessed during 2008 have surpassed that expected by market participants in both their severity and duration. Nonetheless, although risks to economic growth remain, many strategists and analysts believe that equity market valuations are attractive and that 2009/10 could see robust global stock market returns.***

### Market Review\*

- The Australian share market (S&P/ASX 300 Index) returned -18.5% for the December 2008 quarter and -38.9% for the 12 months to 31 December 2008.
- International shares, as measured by the MSCI World Net Accumulation Index, returned for the December 2008 quarter -11.5% unhedged and -22.7% on a hedged basis and -25.3% and -39.1% respectively for the 12 months ending 31 December 2008.
- The Australian bond market (UBS Australian Composite Bond (LBD) Index) returned 6.3% for the quarter and 14.9% for the year ending 31 December 2008.

\* All performance returns are before tax and investment management costs

## Net earning rates

### Division Two – net earning rates (i.e. after tax and indirect management costs)

Option	Quarter ended 31/12/08	Financial Year to Date 1/7/08 – 31/12/08	5 Year compound average to 31/12/08 % p.a.
High Growth	-16.06%	-21.29%	4.15%
Moderate Growth	-11.51%	-14.83%	4.53%
Lower Growth	-6.34%	-7.03%	4.49%
Protected	1.38%	2.97%	5.33%
Capital Secure	1.21%	2.65%	5.88%

### Division Three – net earning rates (i.e. after tax and indirect management costs)

Option	Quarter ended 31/12/08	Financial Year to Date 1/7/08 – 31/12/08	5 Year compound average to 31/12/08 % p.a.
High Growth	-16.28%	-21.48%	4.07%
Moderate Growth	-11.72%	-15.05%	4.36%
Lower Growth	-6.31%	-7.02%	4.48%
Protected	1.43%	3.03%	5.32%

Note: You can now change where future contributions (i.e. regular contributions from payroll) are invested at any time. You can make this change by advising the Trustee in writing or by completing the relevant form and submitting it to the fund.

### Allocated pension - net earning rates (i.e. after indirect management costs)

Option	Quarter ended 31/12/08	Financial Year to Date 1/7/08 – 31/12/08
High Growth Pension	-14.98%	-19.17%
Moderate Growth Pension	-13.24%	-15.93%
Lower Growth Pension	-9.80%	-11.22%
Protected Pension	1.66%	3.58%

**Note:** the pension options have different asset allocations than the Division Two/Three options and will therefore have different investment performance results.

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