

# SuperNews

## Net earning rates

Although the investment results for the quarter ended 31 March 2008 were disappointing it is important to remember that for most members superannuation is a long term tax effective investment. Therefore, the long term investment performance is important, which is why we have provided the 5 year compound average net earning rates in the following tables. Please also read the opening commentary under *Investments*.

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

Option	Quarter ended 31/03/08	Financial year to date 1/7/07 to 31/03/08	5 Year compound average to 31/03/08 % p.a.
High Growth	-10.43%	- 9.76%	13.08%
Moderate Growth	- 7.72%	- 7.10%	11.06%
Lower Growth	- 3.43%	- 2.53%	7.69%
Protected	2.13%	4.36%	5.06%
Capital Secure	1.62%	5.21%	5.65%

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

Option	Quarter ended 31/03/08	Financial year to date 1/7/07 to 31/03/08	5 Year compound average to 31/03/08 % p.a.
High Growth	- 10.38%	- 9.79%	13.01%
Moderate Growth	- 8.09%	- 7.60%	10.95%
Lower Growth	- 3.46%	- 2.56%	7.69%
Protected	1.84%	4.14%	5.03%

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

Option	Quarter ended 31/03/08	Financial year to date 1/7/07 to 31/03/08
High Growth Pension	- 12.48%	- 12.12%
Moderate Growth Pension	- 9.24%	- 8.91%
Lower Growth Pension	- 5.34%	- 4.48%
Protected Pension	0.56%	3.27%

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

## Investments

The volatility seen in equity markets during the December 2007 quarter was amplified in the first three months of 2008 with global stock markets suffering sharp falls. These declines in equity markets, and also in Australian listed property securities, have resulted in negative returns for those options with exposure to shares for the year ended 31 March 2008 and increasing the possibility of negative returns for the financial year ending 30 June 2008.

Although this is disappointing it is important to remember that superannuation is a long term tax effective investment, which from 1 July 2007 became even more attractive since tax on lump sums and pensions was removed for people aged 60 years and over. There is always the possibility of short-term volatility when investing in shares. However, as we have seen in the past, markets go up and down in cycles and weathering these fluctuations is a normal part of investing. The key to successful investing is to stay focused on long-term plans and not get swayed by short term fluctuations. History shows that over the long term a diversified balanced or growth investment option will outperform cash.

The most important thing for a member is to determine their long term investment objective and to choose an option that suits their risk and return preferences and to maintain their long term retirement savings plan. Please refer to the 5 year compound average returns under the various investment options in the tables on page 1, which are shown as percent per annum.

Superannuation funds continue to deliver strong returns over the long term, driven mainly by the capital growth from equity markets. Market participants expect significant volatility throughout 2008 with slower US and European economic growth. However, many analysts and strategists believe that equity valuations are now attractive and that late 2008 will see stronger US growth and stronger global stock markets.

## Investment commentary

During the March 2008 quarter Australian shares had their worst return since 1987 finishing down 14.6% due to the continuing sub-prime problems, credit crunch issues, increased recessionary fears emanating from the US and the prospect of slowing global growth. Also there were a number of stock specific issues during the quarter where investors became increasingly concerned about the amount of leverage used by these and other companies as well as the quality of company debt profiles. Resource and energy stocks performed well as commodity prices rallied with oil touching US\$110 a barrel.

Significant volatility again impacted global markets during the quarter with all major markets posting substantial negative returns. This was a result of the continuing sub-prime woes, significant write-offs by financial companies, a weakening US consumer and concerns that the US was close to, or in, a recession. Equity market turbulence along with continuing rising mortgage delinquencies and foreclosures in the US prompted the resurgence of the "flight to quality" theme with monies flowing into US Treasuries. Emerging markets were also effected by these issues returning -14.3% for the quarter.

The listed property trust (LPT) sector declined by 19.1% during the quarter after a 13% decline in the quarter ended 31 December 2007. The entire LPT sector was sold off as concerns grew over gearing, debt maturity profiles and the likelihood of slowing growth and property values.

Australia's economic strength weighed on the bond market in the March quarter, with strong employment growth, economic growth and rising consumer confidence leading the Reserve Bank to raise rates. Nonetheless, Australian data turned down in late March with falls in consumer confidence and credit growth leading to expectations that rates may have peaked. Fixed interest returns were relatively subdued but still produced positive returns.

## Market review

- The Australian share market (S&P/ASX 300 Index) returned -14.6% for the March 2008 quarter and -7.2% for the 12 months to 31 March 2008.
  - International shares, as measured by the MSCI World Net Accumulation Index, returned for the March 2008 quarter -12.5% unhedged and -11.1% on a hedged basis and -14.4% and -7.9% respectively for the 12 months ending 31 March 2008.
  - The Australian bond market (UBS Australian Composite Bond (LBD) Index) returned 2.2% for the quarter and 4.3% for the year ending 31 March 2008. Again, these returns are less than cash rates.
- \* All performance returns are before tax and investment management costs

## Review of superannuation contributions

The amount of contributions paid into the fund each pay day can be changed at any time during the year by visiting the CSR intranet site or by contacting your payroll office for the appropriate forms. When reviewing your contributions please be aware of the following contribution caps which apply for the 2008/2009 financial year.

- \* Concessional contributions (employer, salary sacrifice, basic insurance premiums met by your employer for Division Two members and for SCG and defined benefit members the "notional" taxable contribution):

*Aged less than 50 - \$50,000 p.a.*

*Aged 50 to 74 - \$100,000 p.a. (up to 30/6/2012)*

- \* Non-concessional contributions (after-tax contributions) - \$150,000 p.a. However if you are *under age 65* you will be allowed to bring forward 2 years worth of contributions e.g. \$450,000 in one year.
- \* *Please note that the effective rate of tax for concessional and non-concessional contributions over the contributions cap will be 46.5%, which is imposed on the individual.*

## Suggested nominated beneficiaries

If your personal circumstances have changed or you would like to provide the trustee with a current nomination, even if the persons you nominate do not change, please complete, sign and return a *Change Request* form which can be downloaded from the fund's website or requested by telephoning the fund's inquiry line.

## Division Two - Optional insurance

Division Two members who have contributions paid into the fund by CSR or an associated employer have the cost of the premium for basic death and total and permanent disablement cover met by their employer.

However, if you want to increase your death/total and permanent disablement cover you can apply for additional "Optional Cover" once a year at 1 July. If you are interested in this please ring the fund's inquiry line and ask for the relevant forms to be sent to you with the Product Disclosure Statement which provides further information on this option.

## Grow your super with the help of the Super Co-contribution

If your assessable income and reportable fringe benefits (which excludes superannuation) are less than \$58,980 (indexed annually), you make after tax superannuation contributions, are aged less than 71 years of age and 10% or more of your total income is from eligible employment, running a business or a combination of both, you may be eligible for a super co-contribution.

The table below provides some examples to show the minimum non concessional (after tax) contribution that would need to be made at various income levels to receive the maximum co-contribution for that level of income.

<b>If your assessable income in 2007/08</b>	<b>Your non concessional (after tax) contribution</b>	<b>If eligible, the co-contribution to be paid into super</b>
\$28,980 or less	\$1,000	\$1,500
\$30,980	\$ 934	\$1,400
\$40,980	\$ 734	\$ 900
\$46,980	\$ 400	\$ 600
\$50,980	\$ 267	\$ 400
\$56,980	\$ 67	\$ 100
\$58,980 plus	N/A	N/A

**Don't miss out** – check your eligibility and find out the full details by either ringing the fund's inquiry line or visiting the ATO website on [www.ato.gov.au](http://www.ato.gov.au). The ATO website has a calculator you can use to work out the co-contribution you may be eligible to receive.

## Authorised representatives

The Trustee is not licensed to provide personal financial product advice, which is advice relating to your own particular circumstances which may influence decisions you make. The following representatives have been authorised by the Trustee of the Harwood Superannuation Fund (Harwood Nominees Pty Limited) to provide general financial product advice.

- Kristen Broder
- Greg Diamond
- Melissa Gomes
- George Lamvohee
- Sandra Olsen
- Roslyn Ramwell
- Danielle Reay

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### **Disclaimer:**

Any advice provided by Harwood Nominees Pty Limited or its authorised representatives has been prepared without taking into account your objectives, financial situation or needs. You should, before acting on any advice, consider the appropriateness of the advice, having regard to your objectives, financial situation or needs. If the advice relates to investing in a superannuation product, including CSR Super, you should obtain and consider the Product Disclosure Statement for the product before deciding to invest.