apss
AUSTRALIA POST SUPER SCHEME

Insight

News from the Australia Post Superannuation Scheme

Quarter ending June 2013

INSIDE THIS EDITION

- **Investment results for the quarter and years ending 30 June 2013**
- **'Behind the numbers' analysis of the quarterly investment returns**
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- **Keeping your money in the APSS**

You can retain your super in the APSS and enjoy the benefits of remaining an APSS Member even after you leave employment.

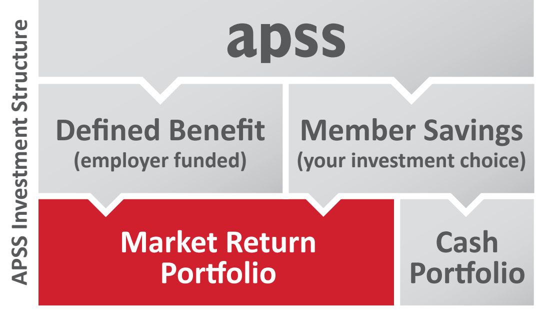
If you leave your job at Australia Post or an Associated Employer, you can continue to enjoy the benefits of APSS membership by opening an APSS Rollover Account. This option is also available to your spouse if they have a Spouse Account in the APSS.

To keep your super or your spouse's super in the APSS after you leave employment, all you need to do is simply let us know within 60 days of the APSS writing to you after you cease employment. You will also need to read the current Member Savings Product Disclosure Statement (PDS) and complete and return the required forms.

You can download a copy of the Member Savings PDS from the Publications and Forms section at **apss.com.au** or call *Super*Phone on **1300 360 373** to have a copy mailed to you.

The Market Return Portfolio

The crediting rates for Market Return Member Savings are determined by reference to the investment returns of the Market Return Portfolio. The APSS Market Return Portfolio invests in a broad range of shares, real estate and bonds comprising both listed (public) and unlisted (private) global assets. The Market Return option has a higher relative risk and volatility than the Cash Return option with an expectation of higher returns over the long term. The APSS adopts strategies aimed at reducing the impact of volatility in financial markets and currency markets.

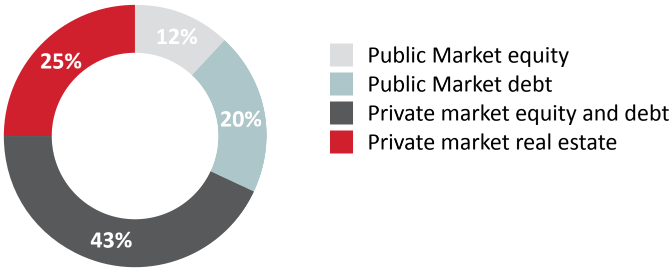


Market Return Member Savings Crediting Rates to 30 June 2013

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	4.38%	8.35%	7.60%	1.39%
APSS Rollover	4.38%	8.35%	7.60%	1.36%
APSS Pension	4.89%	9.27%	9.06%	1.64%

The compound crediting rates shown above are after investment costs and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

Actual asset allocation for the quarter ending 30 June 2013



Important reminder: Past investment returns are not necessarily indicative of future investment returns.

Behind the numbers

The Market Return Portfolio delivered a 4.4% compound Market Return crediting rate for the June quarter, bringing the compound crediting rate for the 2012-13 financial year to 8.4%.

After rising steeply through most of the last financial year, public market share prices became volatile in May and June, posting negative returns for the quarter. This followed remarks by the US Federal Reserve that its massive financial stimulus program, dubbed "quantitative easing" may be scaled back earlier than expected. This ironically received more attention in the markets than the related news that the US economic recovery is gaining strength. The announcement also raised a sell signal in the government bond markets, including in Australia, causing bond yields to rise and prices to fall.

The Market Return Portfolio has a relatively small allocation to public market investments and since last year, has been holding cash in preference to Australian Government bonds, so the overall net effect of the volatility in these asset classes on the quarterly crediting rate was small.

However, the volatility did extend to currency markets, with the Australian dollar falling by 12% against the US dollar over the quarter – its lowest level since 2010. This decline had a positive effect on the value of the APSS's private market investments, which is largely invested in the US and other overseas markets.

Remember

You can contact the APSS by calling ***Super*Phone 1300 360 373** Monday – Friday 9.00am – 5.30pm (AEDT) or you can visit us online at **apss.com.au**

The Market Return Portfolio

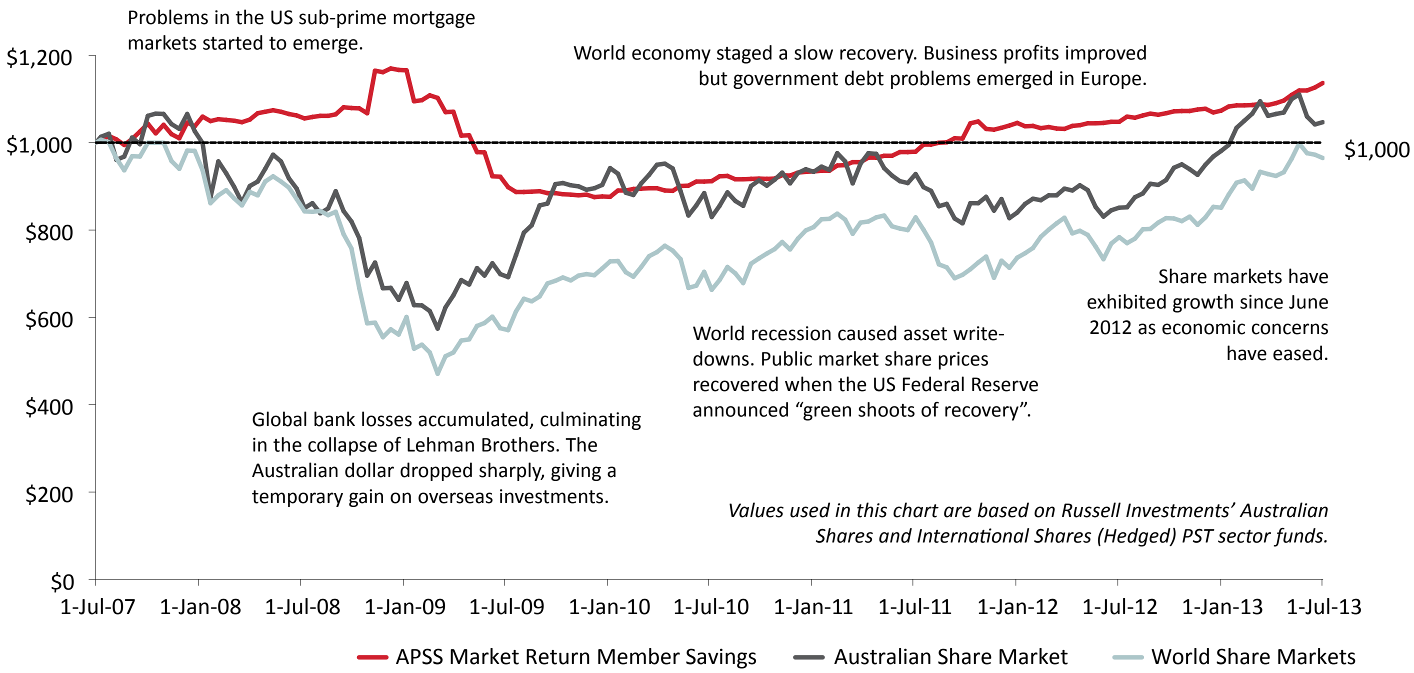
Behind the numbers (continued)

As the Australian dollar weakened, the value of these investments increased.

Aside from the currency impact, the APSS's private market investments, which forms the majority of assets held in the Market Return Portfolio, continued to accrue value at a slow and steady rate over the June quarter. Over the past year, these steady gains have been overshadowed by returns of over 20% in public market shares, typically resulting in mid-teen returns for many other super funds last financial year. Private market investment returns tend to be less volatile than public markets, both on the way up and on the way down. This has led to consistent compound Market Return crediting rates of 7.5%, 7.0% and 8.4% for the past three financial years, compared to Australian share market returns of 11%, -9% and 23% respectively, for the same periods.

How we compare

How $1,000 in APSS Market Return Member Savings would have changed in value since 1 July 2007 compared to the same amount invested in publicly-traded Australian and overseas share markets.



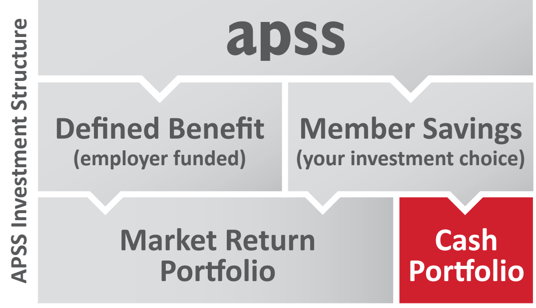
Important reminder: Past investment returns are not necessarily indicative of future investment returns.

Did you know?

Asset classes are broad groupings of investments according to their expected return and risk, and whether they are traded in public or private markets. Each asset class has a different level of risk and return in the long term. Generally the greater the potential return in the long term, the greater the risk an asset class has. In line with the recently announced changes to the APSS' investment strategy, the next issue of Insight will show the Market Return Portfolio with target allocations to the newly named four asset classes: bonds, property, shares and private market assets.

The Cash Portfolio

The crediting rates for Cash Return Member Savings are determined by reference to the investment returns of the Cash Portfolio. The APSS Cash Portfolio invests in high quality cash deposits or bank bills and short-term interest bearing securities. The Cash Return option is relatively low risk, with a capital guarantee that means no negative crediting rates, but with an expectation of lower relative returns in the long term.



Cash Return Member Savings Crediting Rates to 30 June 2013

	3 mths	12 mths	3 yrs (p.a.)	5 yrs (p.a.)
Employee and Spouse Member Savings	0.62%	2.56%	3.48%	3.62%
APSS Rollover	0.62%	2.56%	3.48%	n/a*
APSS Pension	0.73%	3.20%	4.19%	n/a*

*Rollover and Pension Cash Return crediting rates are available from 5 August 2009. The compound crediting rates shown in the table are after investment fees and tax (where applicable). Pension members do not incur tax on investment earnings of their APSS Pension Accounts.

Actual asset allocation for the quarter: Cash 100%

Behind the numbers

The Trustee expects that the crediting rates for Cash Return Member Savings will be similar to the cash interest rate set by the Reserve Bank of Australia (RBA), reduced by investment fees and tax (where applicable).

In May, the RBA lowered the official interest rate from 3.0% to 2.75%, its lowest level in more than 50 years. The RBA lowered the interest rate to support the local economy, which has recently been growing below its long term trend rate following the slowdown in the resources boom.

When comparing the official cash interest rate to the APSS Cash Return crediting rates, keep in mind that, with the exception of the APSS Pension Accounts, the crediting rates shown are net of tax on investment earnings (up to 15%).

Important reminder: Past investment returns are not necessarily indicative of future investment returns.

Investment basics

People often believe that investing is complicated because they are not familiar with some of the jargon used to describe investing. Learning the following key terms can help take some of the mystery out of investing.

Investment performance

This is the investment returns earned on your investment over time – for instance if you have a term deposit paying 3% interest per annum, then your "investment performance" is also 3% each year. Investment performance can be positive (you make money) or negative (you lose money). The latest performance information for the Market Return and the Cash Return investment options are available on pages 2 and 4 of this newsletter.

Compounding

When you invest even a small amount of money – in cash, shares, property or some other type of investment – it will usually earn you interest, rent or other income over time. If you then immediately reinvest this interest or income rather than spending it, you will effectively be earning 'interest on your interest'. This means that your savings or the value of your investment grows faster. This is the principle of compounding. The earlier you begin to save for your super, the more you can benefit from compounding.

Compounding works in the same way with your super. Each year investment returns apply to your super and remain in your account. Where returns are positive, your super may grow even bigger over time with the help of compounding.

Diversification

Diversification is a way of reducing the risk of low or negative returns on your investments by spreading your money across a range of different investments. A bit like the old saying, 'don't put all your eggs in one basket'. So if your super is invested in different types of assets (such as shares, property, bonds, cash, private market equity etc.) it could help offset losses if one type of investment does poorly. However, diversification does not guarantee a profit or protect against negative returns in a declining market.

Volatility

When investing, volatility is a measure of risk that refers to the extent to which investments rise and fall in value over a specific period of time. The more the value of the asset fluctuates (goes up and down) over time, the more volatile it is considered to be.

Historically the most volatile asset classes have been shares and property while the least volatile assets have generally been bonds and cash.

In general, asset classes like shares are regarded as more volatile, higher risk investments, but have the expectation of higher returns over the long term compared to lower risk investments like bonds and cash.

Inflation

Inflation is the increase in the price of goods and services in the economy, usually measured in terms of movements in the Consumer Price Index (CPI). Essentially what this means is that in times of rising inflation, what you can buy with $10 today will be much more that what you can buy with the same $10 in a decade's time. For example, a litre of petrol in 2003 costs 94 cents and is today around $1.50.

How to contact the APSS

Call ***Super*****Phone 1300 360 373** Monday – Friday 9.00am – 5.30pm (AEDT) or visit us online at **apss.com.au**
Write to APSS, Locked Bag A5005, Sydney South NSW 1235 or Fax (02) 9372 6288