

# Investment Update

Quarter Ending 30 June, 2012

## The 2011-12 financial year in review

With early reports in the media suggesting that super funds will declare average returns of close to zero in their growth and balanced options for the 2011-12 financial year, the compound APSS Market Return crediting rate of 7 percent for the year is a relatively positive outcome for members.

Underpinning the APSS' result is an investment strategy whereby the APSS' Market Return Portfolio has a high allocation to private market investments and a relatively low allocation to publicly-traded shares.

The APSS' private market investments are widely diversified and have been built up over many years. The aim is to earn relatively good long-term returns with lower than average short term volatility, or variability of returns.

Over quarterly and yearly intervals, the Market Return crediting rates can move above or below the average returns reported by other super funds. In this context it is important to remember that the investment strategy for Market Return Member Savings is focussed on long-term returns (with a minimum suggested investment timeframe of 6+ years).

## Keep your super in the APSS, even after you change jobs

As an Employee Member, 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. Benefits include no administration fees and very low management costs.

To keep your super in the APSS after you leave employment, simply let us know you want to stay by completing a Benefit Payment Direction Form and APSS Rollover Account application form. You'll need to read the [APSS Member Savings Product Disclosure Statement](#) first.

## Your APSS Member Savings

Compound crediting rates to 30 June, 2012 (after tax & investment costs ^)

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

		Quarter	12 months	3 years (p.a.)	5 years (p.a.)
<b>Employee and Spouse Members Savings</b>	Market Return	1.4%	7.0%	4.8%	0.9%
	Cash Return	0.8%	3.9%	3.7%	4.4%
<b>APSS Rollover</b>	Market Return	1.4%	7.0%	4.8%	1.5%
	Cash Return	0.8%	3.9%	n/a*	n/a*
<b>APSS Pension</b>	Market Return	1.6%	8.3%	5.9%	1.8%
	Cash Return	1.0%	4.6%	n/a*	n/a*

^ Pension members do not incur tax on investment earnings of their pension accounts.

Crediting rates in the APSS are updated fortnightly on the *Crediting Rates* page at [apss.com.au](http://apss.com.au).

\* APSS Rollover and Pension Cash Return crediting rates are available from 5 August 2009.

## Behind the Numbers

### Market Return crediting rates

The cumulative crediting rates for Market Return Member Savings were positive over the June quarter, meaning that the compound Market Return crediting rate for the 2011-12 financial year was positive (see the column to the left for a review of the past financial year). Market Return crediting rates are based on the returns of the APSS Market Return Portfolio. The bulk of the portfolio is invested in private market assets with the remainder in publicly-traded shares and bonds. Amid volatility in publicly-traded share markets, the APSS' private market investments had modest but steady gains in the June quarter.

Market volatility is being driven by economic uncertainty which is likely to be weighing heavily on investors' minds, causing them to swing between deep pessimism and cautious optimism.

Europe's debt crisis continued, with the focus of concern turning from Greece to the Spanish banking sector. Emergency funding has continued to Greece and a European Union Summit in June took the significant step of establishing a mechanism to lend direct assistance to European private banks in need of support.

In the US, there have been signs of recovery in unemployment and housing activity, tempered by concerns about the so-called 'fiscal cliff' – a requirement to make large cuts to the federal budget unless the US Government can pass new legislation on its debt and spending limits.

Despite recent slowing, economic growth in China and other developing markets is now the principal driver of world economic growth.

Investment activity in private markets has been constrained by the uncertainty in the global economy but the companies and assets that make up the APSS Private Market Portfolio have generally continued to deliver robust operating performance.

While the risky economic climate was a negative influence on publicly-traded shares last quarter, it has driven up the value of Government bonds in Australia and other 'safe haven' markets. Gains from Government bonds also helped to offset the volatility of publicly-traded shares in the APSS Market Return Portfolio.

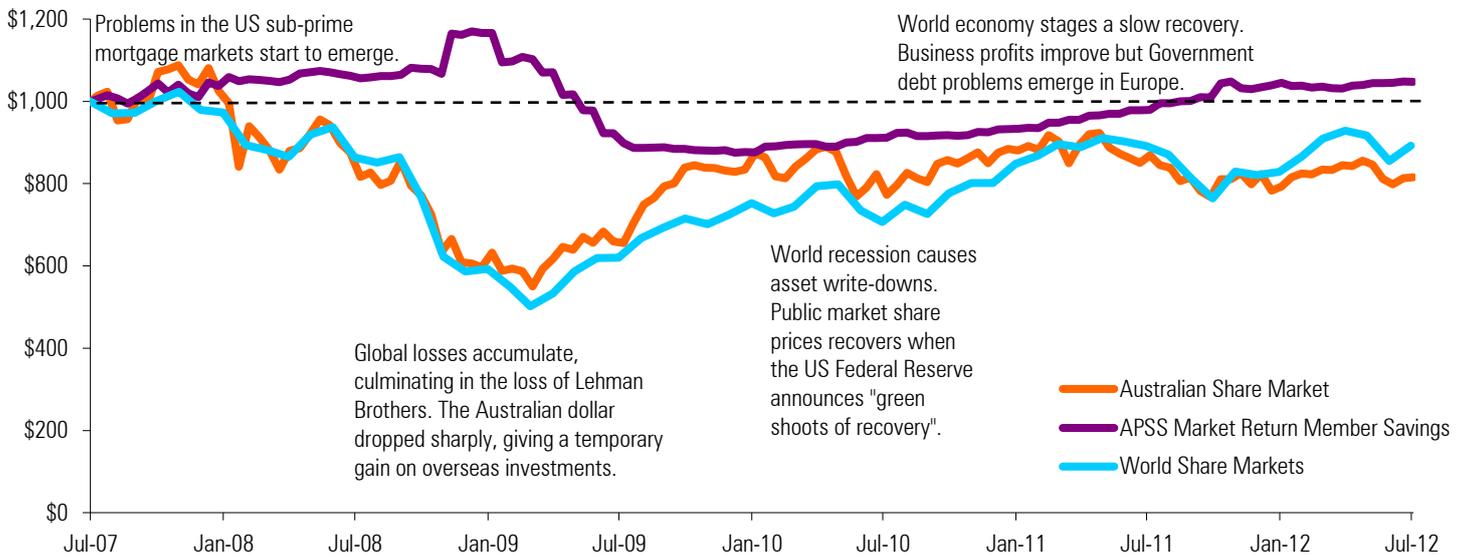
### Cash Return crediting rates

Cash Return crediting rates are based on the returns earned by the APSS Cash Portfolio that is invested in high quality, bank-issued cash securities. These yield interest rates close to the official cash interest rate set by the Reserve Bank of Australia (RBA). The RBA lowered the official cash rate by 0.5% in May and by a further 0.25% in June, bringing it to 3.5% per annum, a relatively low value for Australia.

When comparing the official cash interest rate to the APSS Cash Return crediting rates, keep in mind that, with the exception of APSS Pension accounts, the APSS crediting rates are after the tax (up to 15%) on superannuation investment earnings has been deducted.



**The following graphs shows how \$1,000 invested in APSS Market Return Member Savings has changed over the last five years 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.

## Your investment choices in APSS Member Savings

The APSS offers choice between Market Return Member Savings, Cash Return Member Savings, or a blend of the two in a proportion that fits with your long-term financial goals. The crediting rates of both savings options are determined with reference to the investment returns of the relevant APSS portfolio of assets.

Virtually all investments carry some risk and it is important to understand the differences between the two portfolios:

**Market Return Portfolio** – invests in a broad range of shares, real estate and bonds comprising both listed (public) and unlisted (private) global assets. It has a higher relative risk and volatility than the Cash Return Portfolio with an expectation of higher returns over the long term. The APSS adopts strategies aimed at reducing the impact of volatility of financial market and currency movements.

**Cash Return Portfolio** – invests in high-quality cash deposits or bills and short-term interest bearing securities. This option is relatively low risk, with a capital guarantee that means no negative crediting rates, but with an expectation of lower relative returns.

## Important changes to your super Before-tax contribution limits reduced for over 50s

If you are over 50, the before-tax (concessional) contribution limit into super for the 2012-13 financial year reduces from \$50,000 to \$25,000 per annum. This limit includes a 'Notional Taxed Contribution' representing the amount your employer contributes to provide your Defined Benefit in the APSS, as well as any salary sacrifice contributions you make. **It is important that you monitor the contributions made into your super on a regular basis (both before-tax and after-tax), because exceeding the applicable limits may result in you incurring more tax.**

## Do you need help?

Decisions about a long-term investment such as superannuation are complex and require careful consideration of all of the possible outcomes and consequences. Any decision you make should also take into account your full personal financial circumstances and objectives, risk tolerance and investment timeframe.

Whilst our *SuperPhone* member services representatives cannot give you financial advice or make recommendations about your super, you may want to consider contacting an independent licensed financial planner. For help with this, you can visit the Financial Planning Association of Australia on [www.fpa.asn.au](http://www.fpa.asn.au)

## Keep in touch

Please visit [apss.com.au](http://apss.com.au) or call *SuperPhone* on **1300 360 373** to speak to a member of our dedicated APSS Member services team.