

### What is the Moderate investment option?

AGEST allows all members to invest in one or any combination of 12 investment options. The Moderate option is one of those options.

The Moderate option has investments that are exposed to a variety of investment sectors however its weighting is slightly towards the 'growth' investments of shares and property. This option also has a substantial holding in the more 'defensive' investment sectors of fixed interest and cash.

### Investment Objective

Achieve moderate returns by investing in a mix of assets that will minimise the risk of capital loss over the medium term.

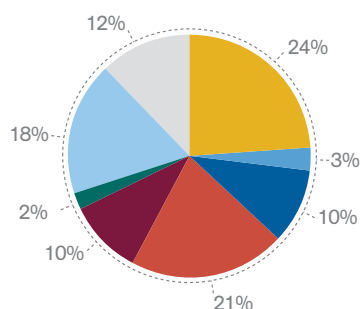
### Target Return

At least the Consumer Price Index (CPI) plus 2.5 % per annum over the investment timeframe (5 years +).

### Strategic Asset Allocation (SAA)

The SAA percentages below indicate where investments in this option will usually be made.

However, market movements, new investment opportunities and irregular levels of cash flow mean that we cannot always strictly adhere to our SAA percentages. We have set 'ranges' within which this option will usually invest, however at times these ranges may be exceeded due to factors beyond the fund's control.



Investment sector	SAA %	Range %
Australian shares	24	15-35
Private equity	3	0-6
Infrastructure	10	5-15
International shares	21	10-30
Unlisted property	10	5-15
Absolute return	2	0-5
Fixed interest	18	10-20
Cash	12	10-20
<b>Total</b>	<b>100</b>	
	<b>SAA %</b>	<b>Range %</b>
Foreign currency hedging	33	0-100

### Overview of this investment option

Inception date	1 January 2006
Current assets	\$58.8 million
Unit prices at <b>31 March 2012</b>	<b>Pension accounts</b> 1.118518 <b>Non-pension accounts</b> 1.098394
Number of investment manager products used in this option	42
Number of individual investments in this option	More than 2,500
Investment costs	0.49%
Performance fees	0.04%
<b>Total investment costs</b>	<b>0.53%</b>

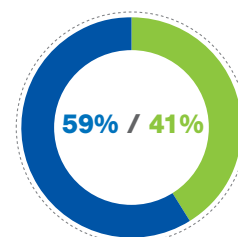
### Investment Profile (SAA)

#### Investment Risk: Medium

Negative returns expected in 2 out of every 20 years.

**Growth** - assets upon which a capital gain is expected over the long term.

**Defensive** - assets which are expected to produce regular income and, in some cases, capital gain.

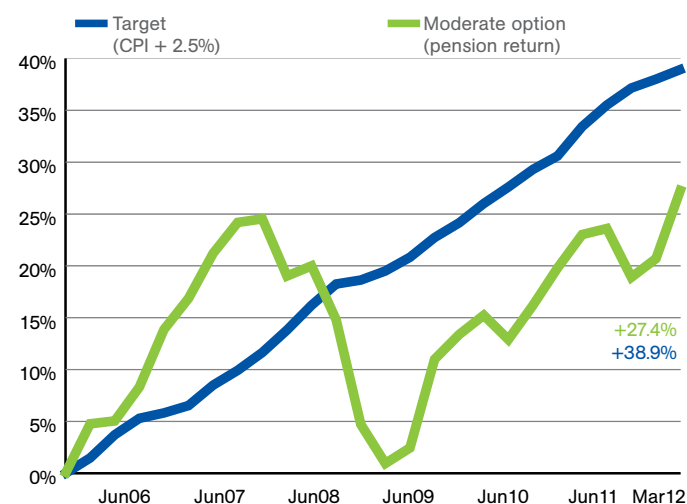


### Investment performance \*

	Pension accounts	Non-pension accounts
3 months	5.51%	4.85%
1 year	3.52% pa	3.21% pa
3 years	8.05% pa	6.87% pa
Since inception	3.95% pa	3.44% pa

\* Figures above are the returns received by members, net of all investment related fees, based on relevant unit prices. Non pension account returns are also net of investment taxes. No investment tax applies to pension accounts.

### Cumulative investment performance



### How we invest the assets in this investment option

This option is a 'pre-mixed option', meaning that it is invested across more than one investment sector in proportions determined by the Trustee – refer to the previous page.

This diversification of investments means that the performance of no individual investment – up or down – will dominate this option's return.

We use external investment managers and an investment consultant to assist us in the investment process. All investment managers are regularly monitored by the Trustee and the fund's investment consultant.

### Investment managers used for this option

For full details of AGEST's investments with these managers please see the investments section of our website.

Australian Shares	
Ausbil Dexia	5%
Ellerston	1%
GMO	3%
Goldman Sachs	2%
Kosmos	2%
Macquarie	2%
Maple-Brown Abbott	5%
State Street Global Advisors	4%
	<b>24%</b>

International Shares	
AQR	1%
Lazard	1%
Mondrian	2%
Orbis	2%
State Street Global Advisors	6%
THS	1%
Turner	2%
Walter Scott	3%
Wellington International Equity	3%
	<b>21%</b>

Private Equity	
Goldman Sachs	<1%
Industry Funds Management	<1%
Macquarie	<1%
Mesirow	<1%
Northgate	<1%
Pacific Equity Partners	<1%
Quay Partners	<1%
Siguler Guff	<1%
Wilshire	<1%
	<b>3%</b>

Unlisted Property	
AEW	1%
Fortius	1%
Franklin Templeton	<1%
Industry Superannuation Property Trust	6%
QIC	2%
	<b>10%</b>

Infrastructure	
Infrastructure Capital Group	2%
Industry Funds Management	8%
	<b>10%</b>

Absolute Return	
BlackRock	1%
GMO	1%
	<b>2%</b>

Fixed Interest	
BlackRock	16%
Hastings Funds Management	<1%
PIMCO	2%
Members Equity Bank	<1%
	<b>18%</b>

Cash	
BNP Paribas	<1%
Industry Funds Management	6%
State Street Global Advisors	6%
	<b>12%</b>

<b>Total</b>	<b>100%</b>
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### Foreign currency hedging

This option contains overseas assets and therefore has exposure to foreign currencies. However, some of this exposure is currently hedged back to Australian dollars for us by our foreign currency hedging investment managers, Pareto and Millennium.

### Tax treatment

Investment earnings on non-pension accounts in a superannuation fund are taxed at 15%. For the Moderate option however, this tax is reduced by:

- ▶ imputation credits (or tax rebates) attached to dividends on Australian shares;
- ▶ foreign tax credits (or tax rebates) attached to dividends on international shares; and
- ▶ capital gains tax concessions, where eligible assets are sold after being held for over 12 months.

This means that the effective rate of tax payable in this option is less than 15%, and is typically in the range 9% to 12%, depending on the transactions that have occurred during the relevant period.

This tax has already been deducted from the non-pension accounts investment performance and unit price shown on page 1 of this report.

### Explanation of investment sectors

Before you decide which investment option(s) to invest in, it is important to have an understanding of the types of investment in these options, their expected returns relative to each other, and the risks involved.

The Moderate option invests in the following investment sectors. A brief explanation of each sector follows.

#### Australian Shares

All our Australian shares are listed on the Australian Stock Exchange (ASX). When you invest in a company's shares you own part of the company. Returns from shares are derived from dividends (income) and changes in the value of shares over time (capital). When compared over time to other investments, shares provide high growth potential with a high level of investment risk.

#### International Shares

Investing in international shares is similar to investing in Australian shares, however returns can be quite different due to influences such as currency movements and global economic conditions. AGEST limits its level of exposure to foreign currencies in this option by hedging back some foreign currency exposure to Australian dollars.

#### Private Equity

Private Equity investments are mainly share investments in companies that are not listed on a stock exchange. Private equity investments can include start-up finance for new businesses ('venture capital'), expansion capital to assist a business with its growth strategy, as well as investment in mature businesses. Whilst there is usually a prospect of higher returns from private equity compared to listed shares, the investment risk is higher and a longer term is usually required before the maximum high growth potential is reached.

#### Unlisted Property

Property includes investments in established buildings or buildings under construction. Property trusts use funds from a group of investors to buy a range of properties. Returns from property and the level of investment risk will vary depending on the nature of the investment. Property generally has a medium to high risk, and a lower expected return compared to shares.

AGEST's exposure to unlisted property is via property trusts that are not listed on a stock exchange.

#### Infrastructure

Infrastructure refers to assets such as toll roads, rail systems, airports and energy utilities. Returns from infrastructure and the level of investment risk will vary depending on the nature of the investment. This sector provides medium to high growth potential with a medium level of investment risk.

#### Absolute Return

Absolute return funds (also known as 'hedge funds') focus on minimising downside risk – that is, they aim to be positive regardless of how markets are performing, although negative returns may still occur over the short term (as occurred in 2008). We mainly invest in 'fund-of-fund' products which have many different underlying funds with various investment types and styles, providing good diversification and minimising risk. Compared to other investment sectors, this sector provides medium growth potential with a medium level of investment risk.

#### Fixed Interest

This sector invests in Australian and international fixed interest securities which earn a fixed, regular income. Fixed interest securities usually represent loans to a government or company and, relative to other investment sectors, this sector tends to generate medium to low returns and carry medium risk.

The performance of fixed interest securities is heavily influenced by the movement in long term bond yields. When long term bond yields rise, existing bond prices usually fall as more attractive bonds with higher yields can now be purchased. Conversely, when the long term bond yields fall, existing bond prices usually rise.

As we must value a fixed interest security at the price it could be sold for today, rather than the amount which will be repaid in the future, this means that negative returns can occur when long term bond rates are rising.

This sector is not exposed to movements in the value of foreign currencies, as all of our investments in this sector are hedged to Australian dollars.

#### Cash

This sector holds short-term money market investments and fixed interest securities. Like a bank account, interest is earned on these investments. Cash investments usually earn a lower rate of return than other asset classes over the long term and carry the lowest level of investment risk.

### Other important information

- ▶ This report has been prepared by AGEST Super Pty Ltd, the Trustee of AGEST. The Australian Securities & Investments Commission (ASIC) has granted an Australian Financial Services Licence (No. 233707) to AGEST Super Pty Ltd. This allows the Trustee to provide superannuation products to members and prospective members of the fund. The contents of this quarterly report are of a general nature and have been prepared without taking into account your particular financial needs, circumstances or objectives. You should assess your own financial situation and read AGEST's Combined Product Disclosure Statement and Financial Services Guide before making an investment decision.
- ▶ Past performance should not be taken as an indication of future performance.
- ▶ The past performance of an investment option is based on the asset allocation and investment management style used in each investment option in the past. The Trustee may change these features at any time in the future, within the ranges specified in the fund's Product Disclosure Statement (PDS), so past performance may be of little relevance to the future.

The investment objective, target return, investment profile and asset allocation shown in this report for this investment option are indicative only and are based on the investment expectations of each investment sector, using long term assumptions about capital markets as obtained by the Trustee from sources including investment management companies and professional investment advisers.

Based on these assumptions, the Trustee believes that the asset allocation set by the Trustee is suitable for this investment option, given its investment objective, and that the asset allocation is likely to enable the target return to be achieved over the period stated. However the future performance of this investment option cannot be guaranteed, as investments can move up and down, sometimes sharply and without warning, over both short and long periods of time.

The expected number of years of negative returns in every 20 years is based on the above mentioned long term assumptions. Actual performance may be different from these assumptions.

- ▶ Investment managers are paid for their investment management services to the fund. Most managers are only paid a fixed fee (usually calculated as a percentage of assets under management). However, some managers receive a fixed fee plus a variable performance based fee where the fixed fee is lower than would otherwise be the case. The calculation of the performance based fee varies between managers and investment sectors, however the calculation is typically a small percentage (eg.10%) of the manager's outperformance above a pre-determined benchmark plus an additional margin.

# Moderate investment option

31 March 2012 quarterly report

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Page 4

For example, if an Australian shares manager who is remunerated on a performance fee basis achieves a 15% return (after base fees) compared to the Australian ASX200 return of say 10%, and the margin above which a performance based fee is paid is 3%, then the manager will receive a performance based fee which is a small percentage of their 2% performance above the 13% (10% benchmark plus the 3% margin).

Further queries can be directed to:

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