talking**super** August 2011

*talking**super*** is a newsletter designed to provide a quarterly summary of general superannuation issues and investment markets to members IOOF Portfolio Service Superannuation Fund (incorporating the LifeTrack Superannuation Fund).

Investment Performance – as at 30 June 2011

Total returns for the periods ended 30 June 2011	1 month per cent	3 months per cent	1 year per cent pa	3 years per cent pa	5 years per cent pa
Diversified Funds					
IOOF Multi-Mix Capital Enhanced Trust	0.12	1.31	7.66	7.27	n/a
IOOF Multi-Mix Conservative Growth Trust	-0.05	0.84	7.83	6.11	n/a
IOOF Multi-Mix Balanced Growth Trust	-0.87	-1.08	8.45	1.77	n/a
IOOF Multi-Mix Hi Growth Trust	-1.17	-1.67	9.07	-0.64	n/a
IOOF Multi Series Balanced Trust	-1.19	-1.77	7.08	0.50	n/a
Sector Funds					
IOOF Multi-Mix Australian Shares	-2.10	-4.51	11.10	1.67	n/a
IOOF Multi-Mix International Shares	-1.53	-1.51	5.03	-3.48	n/a
IOOF Multi-Mix Diversified Fixed Interest	0.27	2.22	7.10	9.79	n/a
IOOF Multi-Mix Australian Liquid Trust	0.34	1.44	6.27	5.54	n/a

Source: IOOF Investment Management Limited

Past performance is not a reliable indicator of future performance. Performance is net of fund manager fees and charges. Performance is based on exit price to exit price for the period and assumes that all distributions are reinvested. Investment management fees, other fees, expenses and tax (where applicable) are accounted for in the exit prices. Unit prices may rise and fall in line with the value of the underlying assets. Neither IOOF, the investment managers, nor any of their related bodies corporate, guarantee the performance or any rate of return of the investments. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

If you have any questions about this edition of *talking**super***, please call your relationship manager.

Market update – June 2011

The 2010/11 financial year ended on a subdued note, with equity markets following the May downward trend, driven by continued uncertainty surrounding Greek sovereign debt issues and signs of a slowing Chinese economy. The local market fell for the third consecutive month, with the S&P/ASX 300 index down 2 per cent for the month, influenced by domestic and international macroeconomic headwinds weighing on investor sentiment. However, despite the negative finish for the year, the benchmark index finished up 11.9 per cent for the 12 month period.

The Australian equity market as measured by the S&P/ASX300 fell 2 per cent for the month to finish the quarter down 4.3 per cent.

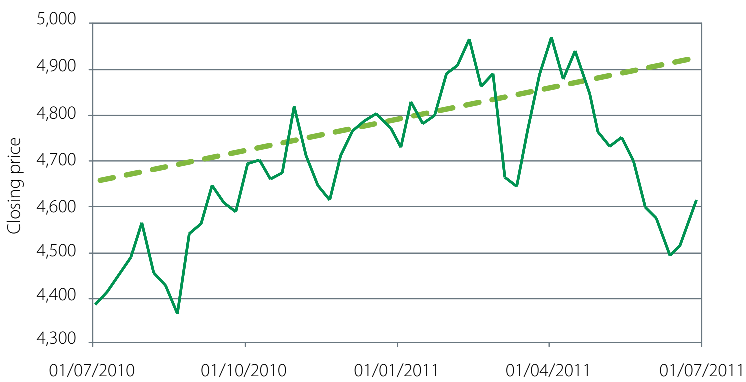
The returns of the S&P/ASX 300 over the last four quarters have been:

Quarter ended 30 June 2011	-4.3%
Quarter ended 31 March 2011	3.1%
Quarter ended 31 December 2010	4.7%
Quarter ended 30 September 2010	-8.3%

Data Source: Thomson Reuters Datastream

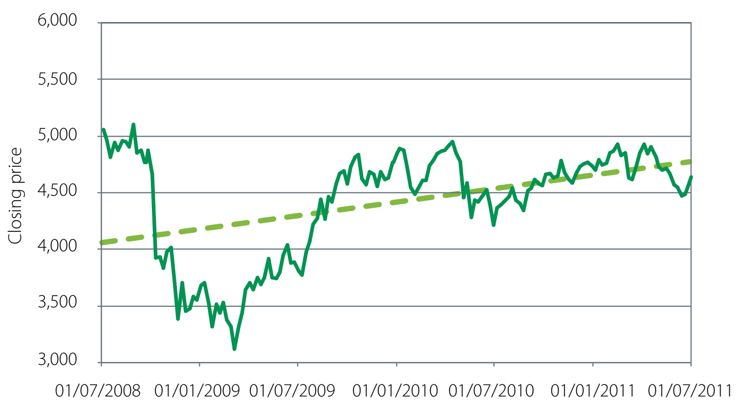
The return for the year ended 30 June 2011 was 11.9 per cent.

The following chart tracks the weekly movement of the S&P/ASX 300 for the year ended 30 June 2011, together with the overall trend for this period



Source: ASX

The following chart tracks the weekly movement of the S&P/ASX 300 for the three years ended 30 June 2011, together with the overall trend for this period.



Source:ASX

The MSCI world ex Aust returned -1.6 per cent for the month, bringing the return for the quarter ended 30 June 2011 to 0.5 per cent. The rise in the AUD further reduced the return for June 11 with the MSCI World ex Australia in AUD (unhedged) returning of -2.1 per cent |and 2.9 per cent for the quarter.

The returns of the MSCI world ex Australia (in $A) have been:

Quarter ended 30 June 2011	-2.9%
Quarter ended 31 March 2011	3.9%
Quarter ended 31 December 2010	2.9%
Quarter ended 30 September 2010	-1.1%

Data Source: Thomson Reuters Datastream

The return for the year ended 30 June 2011 was 2.7 per cent

The main developments during March 2011 in Australia were:

- Ambiguous domestic economic data, with reduced confidence levels amongst consumers and businesses along with mixed labour market data, where 8,000 jobs were added, but 22,000 full-time jobs lost.
- The Reserve Bank left interest rates on hold at 4.75 per cent given their view that 'global financial conditions remain accommodative'.
- The Australian dollar rose in June 2011 quarter against the US dollar (3.5 per cent), the Yen (0.9 per cent), the Euro (1.3 per cent) and the British pound (3.4 per cent). For the year ended 30 June 2011 the Australian rose against the US dollar (26.8 per cent), the Euro (7.7 per cent), the British pound (18.1 per cent) and the Yen (15.7 per cent).

In overseas news:

- New austerity measures were approved by Greece's Parliament late in the month, securing the next €12bn tranche of bailout funding from the European Union and the International Monetary Fund.
- The US Federal Reserve (The Fed) provided a bearish outlook on the current economy, downgrading its economic growth forecasts to 2.7 per cent - 2.9 per cent. The Fed also ended the second round of quantitative easing on 30 June 2011, with Chairman, Ben Bernanke unsure 'why slower growth is persisting'.
- Fears of contagion influenced credit rating agencies' decision to place a number of countries on watch due to them holding large levels of Greek debt.
- In China, inflation rose to 5.5 per cent (from 5.3 per cent in April) over the 12 months to May 2011, which prompted the Chinese government to increase the reserve requirement ratio for the sixth time this year, effectively constricting liquidity. These tightening actions appear to be having the desired effect, as China's PMI Manufacturing figure was at its lowest level since February 2009 (down to 50.1 from 52 in May).
- Japanese equity markets rebounded strongly (+1.4 per cent), with signs that manufacturing levels (particularly auto production) are returning to normal levels post tsunami.
- Oil prices fell by 7.3 per cent for the month to finish at US$95.10 per barrel.

Economic review – June 2011^

The following is a commentary from Perennial Investment Partners Ltd Investment Strategist, Frank Uhlenbruch.

A temporary set back in the global economy.

Economic and policy trends

Debate continues as to whether the current global slow-down reflects temporary factors, like disruptions from extreme weather events and the impact of the Japanese earthquake on the global supply chain, or something more structural. Comments from Bernanke over the month suggest that the Federal Reserve views the US slow down as more temporary, dampening prospects for further quantitative easing. Updated forecasts from the IMF also see the slow down as temporary. It projects world growth of 4.3 per cent over 2011, lifting to 4.5 per cent over 2012. Nevertheless, downside risks have risen. Another round of angst over Greece's ability to meet its debt obligations roiled financial market confidence. While Greece has voted for the austerity measures in order to secure further funding, the parlous fiscal state of a number of advanced economies could see further spasmodic bouts of financial market instability.

According to the latest set of national accounts, the Australian economy contracted by 1.2 per cent in the March quarter. While this looks a poor result at first blush, the flood induced decline in coal exports was the main culprit, helping drive the biggest negative contribution to growth from net exports since quarterly national accounts began in 1959. As the Reserve Bank of Australia (RBA) has since pointed out, domestic demand actually rose 0.8 per cent over the quarter – a solid result. Partial demand indicators for Q2 remain mixed, with business surveys pointing to difficult conditions in non-mining and resources sectors. The RBA continues to hold the view that boosts to national income from a favourable rise in the terms of trade and a large capex pipeline will lead to a rapid recovery in growth, to trend or above trend rates. Such a view is consistent with a modest and drawn out monetary tightening cycle. We continue to look for one 25 basis point tightening towards the end of the year.

Equity market trends

Offshore equity markets were extremely volatile, swooning on fears of a Greek default and anxiety about the sustainability of the global recovery; only to rebound late in the month on Greece accepting austerity measures. In the US, the S&P 500 ended the month down 1.8 per cent in US dollar terms. Falls were less in Europe, where the Euro Stoxx 50 declined 0.5 per cent. In contrast, the Nikkei rose 1.3 per cent. The MSCI World ex-Australia Accumulation Index in Australian dollars fell 2.0 per cent, with a relatively steady Australian currency having little impact on sector returns. While the local S&P/ASX 300 Accumulation Index fell 2 per cent over the month, it was up 11.9 per cent over the financial year.

Bond market trends

The Australian bond market produced steady returns over June. Yields were relatively stable over the first half of the month, before falling sharply on fears of a Greek default. News of Greece accepting austerity measures saw these moves reverse late in the month. Three and ten year government bond yields ended the month at 4.76 per cent and 5.21 per cent respectively. For the month, the UBSA Composite Bond Index gained 0.55 per cent. The cash sector, as measured by the UBSA Bank Bill Index, returned 0.4 per cent.

Getting ready for this financial year

Most performance bonuses will be determined on the basis of an employee's work performance during the 2010/11 financial year and many employees will have made an election to have the bonus paid into super before 30 June 2011.

However, these bonuses will (ordinarily) be paid to the fund in the 2011/12 financial year and will be counted under the concessional contribution cap for 2011/12. Employees need to make sure that the 2011/12 cap will not be breached as a result of these and/or any other contributions. For the new superannuation thresholds click here

Flood levy

In the first quarter of 2011, many of our states battled with the most devastating weather conditions experienced in over a century and vast areas of the country were declared disaster zones. In response to this, the Government has introduced a once-off flood levy for the 2011/12 financial year to help the affected communities recover and rebuild. For more information click here

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