

# Newsletter

## Investment Commentary

- Third best BALANCED FUND return in Australia
- Interest rates at or near bottom
- Continuing LOW Inflation
- Modest recovery in world growth in 2002

## Summary of Articles

Investment Commentary . . . . . 1  
 4th Quarter Report to 31st December 2001 . . . 1  
 % Returns to Member Accounts-Balanced fund . . 1  
 Sector Specialist Returns . . . . . 2  
 A man in a hot air balloon realised he was lost. . 2  
 Appointment of customer service manager . . . 3  
 Caveat emptor applies to financial advisers . . . 3  
 Thinking of retirement? . . . . . 3  
 Some Herald Sun headlines in 2001 . . . . . 3  
 Pick the Index Competition. . . . . 4  
 Member Investment Options – Unit Price . . . . 4  
 Financial Services Reform (FSR). . . . . 4  
 Re-election of retiring directors . . . . . 4

## 4th Quarter Report to 31st December 2001

Despite a roller-coaster ride covering an excellent first 6 months, a disastrous third Quarter driven by September 11, and a dramatic rebound in the last Quarter, the return for Balanced option members of 5.1% was most creditable. This would place the Fund 3rd (out of some 40-odd Managers) in Australia for the year, and on a 3 year average basis, 2nd.

The returns from each Investment Sector are detailed over page, but the excellent return of 15.4% from our Australian Share Managers cannot go without comment. Each Manager performed well above the benchmark set, which has under-pinned the Balanced Option, and added substantial value to the Accounts of those Members who have opted for a specific Australian Share component.

There seems to be some guarded optimism for the domestic economy related to the competitive nature of the \$A, the upswing in the building sector, lower fuel prices, and ongoing low inflation.

Global sharemarkets continue to be concerned at the effect of the continuing global economic recession, but there is some thought that growth will start to recover in the second half of 2002.

### BALANCED FUND – % Returns to Member Accounts

#### YEAR BY YEAR

Year Ending 31st December	Return	Quartile	Ranking
1997	12.0%	2	12/38
1998	11.0%	1	6/41
1999	9.0%	2	13/43
2000	10.0%	1	5/46
2001	5.1%	1	3/44

#### AVERAGES

Term	Return	Quartile
3 Years	8.0%	1
5 Years	9.4%	2
10 Years	10.4%	1
20 Years	11.9%	1



#### “Customer Service” Focus

As part of our “customer service” focus, CSSF has now provided a toll free facility. This will be particularly cost-effective for members phoning from outside of the metropolitan area. The new number for any inquiries is:

**1800 200 801**

# Sector Specialist Returns

## Australian Shares

Managers: Colonial First State  
Maple-Brown Abbott

Return for Year: 15.47%

These Managers complement one another, one (CFS) being a "growth" Manager and the other (MBA) a "value" Manager. Both had an excellent year with MBA being the best performing Manager in Australia, through application of its particular discipline. The Australian sharemarket was particularly buoyant throughout the year, and despite the downturn of September 11, recovered quickly to even higher levels by December 31.

## International Shares

Managers: Bank of Ireland  
Fidelity

Return for Year: -10.2%

We have pointed out, on several occasions, the "high risk"/"high return" possibilities attached to International Shares, and with economic recession across the globe, stock markets had severe pressure applied.

The return from our Managers reflected that of the Morgan Stanley Capital Index (MSCI) which is the benchmark by which all International Managers are judged.

## Diversified Fixed Interest

Managers: UBS Brinson  
Macquarie

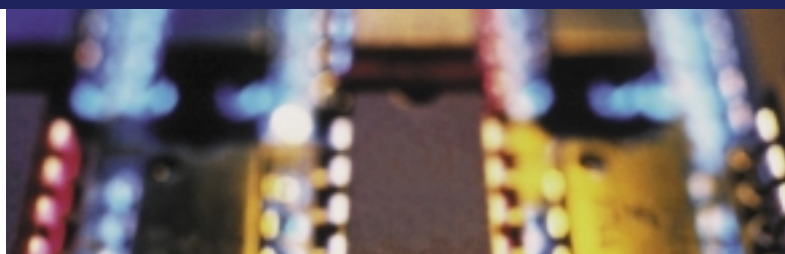
Return for Year: 4.63%

Both Managers achieved similar results, which were the outcome of reducing interest rates and low inflation.

## Property

Manager: HSBC  
Return for Year: 9.82%

The Property Portfolio of HSBC comprises both ownership of specific properties, and listed property trusts.



## Balanced

Managers: All of those mentioned above, with a strong orientation towards equities

Return for Year: 5.1%

The combination of Managers produced an excellent result in a very difficult investment environment.

## Capital Stable

Managers: All of those mentioned above, with a strong orientation towards fixed interest.

Return for Year: 5.37%

A reduced holding in International Shares has helped buoy returns, which would normally have been held down by the lower than usual returns achieved from the Fixed Interest sector.

## Ethical Option

Manager: Tower Life  
Return for Year: 6.94%

Although invested 100% in Australian Equities, returns were diluted because of the non-holding of shares in tobacco, alcohol and gaming companies. Unfortunately, these are some of the areas to which people turn, in times of uncertainty, and Companies in these industries benefit to an extent greater than would be the case in times of calm.

## Cash

Manager: Macquarie  
Return for Year: 4.37%

The result reflected the average yield available from Cash Management Trusts during the year.

# A man in a hot air balloon realized he was lost

He reduced altitude and spotted a woman below. He descended a bit more and shouted "Excuse me, can you help me? I promised a friend I would meet him an hour ago, but I don't know where I am."

The woman below replied, "You're in a hot air balloon hovering approximately 30 feet above the ground. You're between 40 and 41 degrees north latitude and between 59 and 60 degrees west longitude."

"You must be an engineer," said the balloonist.

"I am," replied the woman, "How did you know?"

"Well," answered the balloonist, "everything you told me is,

technically correct, but I've no idea what to make of your information, and the fact is I'm still lost. Frankly, you've not been much help at all. If anything, you've delayed my trip."

The woman below responded, "You must be in Management."

"I am," replied the balloonist, "but how did you know?"

"Well," said the woman, "you don't know where you are or where you're going. You have risen to where you are due to a large quantity of hot air. You made a promise which you've no idea how to keep, and you expect people beneath you to solve your problems. The fact is you are in exactly the same position you were in before we met, but now, somehow, it's my fault

# Caveat emptor applies to financial advisers

## Appointment of customer service manager

Mrs. Jane Hargreaves has been appointed to this very important role, which will take on a major focus as we move forward, on the provision of personal service to Members.

Jane has a strong background in Superannuation, formerly managing the Superannuation Division of a major International Broking firm, and over the next few months will be visiting as many Schools as possible, meeting with members in Common Rooms, and speaking to individuals one on one.

For us to provide you with the service you require, we must have your input, and Jane will be the medium through which we can gather that information. She will be "on the ground", and readily accessible to meet with Members, respond to queries, assist with problems, whatever. Contact can be made either through the Secretariat (03) 9691 2900 or mobile 0409 405 157.

"Let the Buyer beware" was firmly in mind, when the lead article in *The Age Business Sector* (Tuesday, 29th January 2002) was written under the heading "Banks the Big Advisers". Here are some excerpts.

"Independent Financial Advisers (IFAs) that live up to their name are becoming a rarity, with only five of Australia's top 40 IFA groups not owned by a bank or funds manager.

As pressure mounts on independent adviser dealerships to sell their business to institutions, it is likely to become harder still for investors to find an adviser that is not ultimately employed by a manufacturer of financial services products.

National Australia Bank and Commonwealth Bank each own five separately branded IFA firms. Dutch Bank ING owns three IFA firms in the top 40, and ANZ Bank, Westpac, AMP, AXA and St George own two each."

"Advisers will be forced to disclose more information to clients under financial services reform provision due to start in March, which means declaring any product which they have an interest, including "soft dollar" interest such as holidays and other incentives.

Most importantly, advisers will be forced to disclose if the list of products they will recommend is limited, which has previously been just a good practice requirement promoted by the Financial Planning Association."

The great majority of financial advisers are scrupulously honest but fall victim to the "system" under which they operate. Those that are linked to a Dealer/Principal, are provided with an "Approved List" of authorised investments and cannot recommend any investment outside those parameters.

For those members who seek professional financial advice on retirement, leaving service, etc, it is necessary therefore, to do your own checking.

Ask if the CSSF is on the advisers "approved list". If not, compare the cost and potential returns of CSSF (readily available from the Secretariat Office) against those of any alternate recommendations.

The one point we come back to, time after time, whether speaking to Common Rooms, or individual members, is that

- "THIS IS YOUR MONEY"
- "YOU HAVE WORKED HARD FOR IT"
- "BE ABSOLUTELY SURE THAT YOU UNDERSTAND THE RAMIFICATIONS OF HOW/WHAT YOU ARE INVESTING IN"

If you have any concerns at all, or would like to talk to someone about what to do, ring Roy Freeman, or Jane Hargreaves at the Secretariat Office.

## Thinking or retirement?

We are delighted with the support being given by Members, to the CSSF Allocated Pension, which has quickly amassed \$1 million of assets. A great deal of time is spent with each Member (and spouse) ensuring that they are aware of all of the ramifications; how the system works; determining the appropriate amount of drawdown, each year; how tax can be (legally) minimised; and this seems to be much appreciated.

Costs are very low, whilst returns are most attractive (see 2001 results, elsewhere).

## Some Herald Sun Headlines in 2001

Something went wrong in Jet Crash, experts say.

Include your children when baking cookies.

Police begin campaign to run down jay walkers.

Panda mating fails, Vet takes over.

Miners refuse to work after death.

Stolen painting found by a tree.

War dims hopes for peace.

Kids make nutritious snacks.

Typhoon rips through cemetery; hundreds dead.

## Pick the Index Competition

Our last Quarter's competition, to predict the S&P/ASX 300 Index closing figure at 31 December 2001 was won by Jean Joiner from Braemar College. The index was 3412.7 and Jean's entry was the closest.

Here we go again.

As at 31st December 2001 the S&P/ASX300 Index was

# 3412.7

Fax this page before  
25th March 2002 to Combined  
Schools Secretariat (03) 9640 0787.

CSS S&P/ASX 300 Index  
Competition

NAME: \_\_\_\_\_

SCHOOL: \_\_\_\_\_

PHONE: \_\_\_\_\_

My estimate of the S&P/ASX300  
Index as at 31st March 2002 is:

The winner will receive a  
voucher for an all-inclusive  
"Dinner for Two" at a 5 star  
Restaurant of their choice and  
a one year subscription to  
Personal Investment Magazine.

The information contained herein reflects  
proposed Legislation at the time of  
preparation, and Trustees reserve the  
right to amend as required, should the  
final Legislation so require. No specific  
action should be taken, without reference  
to the Secretariat Office.

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## Member Investment Options – Unit Prices

The following are the respective Unit Prices for each Investment Option, as at 31st December 2001.

	Unit Price		%
	1/1/2001	31/12/2001	Increase
Australian Shares	1.30425	1.50610	15.47
International Shares	1.17737	1.05728	-10.20
Fixed Interest	1.08491	1.13521	4.63
Property	1.18105	1.29710	9.82
Balanced	1.19900	1.26014	5.10
Capital Stable	1.12254	1.18282	5.37
Ethical	1.19806	1.28125	6.94
Cash	1.08371	1.13085	4.37

## Financial Services Reform (FSR)

New legislation comes into force on 11th March 2002, which introduces a raft of reforms aimed at:

- improving consumer confidence in using financial services
- the promotion of fair, honest and professional financial services by all licensees and their representatives.

There is a 2 year Transition Period, during which every organisation (and person) within the financial services industry (which includes Superannuation Funds, and the Trustees of same) will need to consider their need to become licensed, or otherwise authorised, in order to operate in the market place.

The Directors of CSSF are reviewing the legislation with advisers, and Members will be kept informed of developments, as they occur.

## Re-election of retiring directors

As at 31st December each year, two of the Employer-nominated Directors, and two of the Member-elected Directors retire. If eligible, they may re-nominate.

The results of the election held as at 31st December 2001 were:

Employer-nominated	Mr. T. Wills Cooke
	Mr. D. Watson
Member-elected	Mr. F. Reid
	Mr. B. Collins

These Directors will hold office for a period of 3 years.

