

## Investment Commentary

- Updated Investment Strategy
- New Mandates Allocated
- Amended Derivatives Policy

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Over recent months, the Directors have been carrying out a comprehensive review of the Fund’s investment strategy.

At its most recent meeting, the Board determined to amend underlying asset allocation benchmarks and ranges, with a view to retaining the high growth profile of the Balanced Option but reducing exposure to international shares and increasing exposure to property. It was felt that this would reduce volatility of yields, over time. The amended benchmarks and ranges for the Balanced Option are set out on Page 3.

The Board considers that the investment strategy should have a pro-active asset allocation and there should be a preparedness to move the asset allocation ranges and change managers in a disciplined way. To this end the Board has set in place a stop loss discipline that causes it to review the strategy and/or managers in the event of changes in markets, investment styles and senior staff of investment managers.

One of the outcomes of this review was the appointment of the following managers, including smaller managers that have the potential to respond quickly to market changes:

<b>Paradice Cooper</b>	Australian Shares
<b>GMO Australia</b>	Long/Short Australian Shares
<b>Platinum Asset Management</b>	Long/Short International Shares
<b>Pimco Global Bond Fund</b>	International Fixed Interest
<b>Glebe Ethical</b>	Ethical Australian Shares

The investments with the following managers have been, or are being, redeemed:

<b>Colonial First State</b>	Australian Shares
<b>UBS Global</b>	International Shares
<b>Macquarie</b>	Fixed Interest and Cash
<b>Tower Life</b>	Ethical – Australian Shares
<b>Members Equity</b>	Cash

All other existing investments have been retained.

The termination of the Members Equity account will not affect those few members who have taken up home loans through that organisation, but the facility will no longer be available to other members. Competition in the sector means that members can access home loans from a variety of sources, so the cost/benefit analysis of ongoing involvement is not warranted.

One further issue addressed in the overall review was the refining of the Fund’s Derivatives Policy. This is a “risk management” statement which is required by legislation to be formally notified to members, and it is set out on Page 4.

## Allocated Pensions

Only a few years ago, the great majority of members retiring took a lump sum and very few some form of ongoing pension.

Over a very short period, this has been largely reversed as the number of members who, following retirement, are taking up an allocated pension account continues to grow.

The tax-free status of all income (both dividends and/or capital growth) make this a particularly attractive way to go – the fact that CSSF fees are around 50% of those generally applicable in the marketplace is just an added bonus!

For details, please contact Jane Hargreaves or Roy Freeman at the Secretariat.





# Changing of the Guard



Bruce Mason, the Fund's Executive Officer, is retiring on 30 June 2003, and the Board has appointed Greg Taylor to take over this role.

This is a planned succession process, so the passing of the baton will be smooth and seamless.

Bruce's links with the fund commenced in September 1976, when he was appointed Assistant Secretary – assets at that time were around \$7 million. He has been involved with

every aspect of the Fund and seen it grow from a very small beginning to its current position as a major provider of superannuation benefits in the Victorian Private Education Sector.

He will be playing a little more golf, but will continue to be available as a consultant to carry out specific tasks (e.g. production of this Newsletter) for an interim period.

*“CSSF has been a significant part of my life for over 25 years. I send my very sincere thanks to the many friends I have made over the years for their friendship and support. The Fund is well placed to meet the future and I will look forward to hearing of its continued growth and prosperity.”*

Greg Taylor joined the Secretariat in March 2001 and, has already met many Schools and Members through Common Room (and one on one) meetings.

Greg has had over 30 years in the Superannuation Industry and prior to joining us, was National Practice Leader for the Member Education Services and Employee Share Plan divisions at NSP Buck as well

as Victorian Manager of their Financial Planning division.

He is acknowledged as an industry commentator, and has wide experience in management and consultancy roles.

As an aside, one of his interesting activities some years ago involved the establishment of a national superannuation fund for AFL Players, of which he subsequently became Chairman.



*“This Fund has an eminent history and an imposing future. To that end, I am looking forward to working with the Directors, Schools and Members, to ensure not only the maintenance but the enhancement of benefits to all of our stakeholders, over the years ahead.”*

## Quarterly Remittance of SG Obligations

Most, but not all, employers remit regular contributions on a monthly basis.

As from 1 July 2003, legislation requires all employers to remit Superannuation Guarantee payments no less frequently than Quarterly. We have written to all employers reminding them of this change.

## To All Members and Participating Schools: Change of Name

At its most recent meeting, after lengthy consideration and discussion, the Board of Directors resolved to change the name of the fund to:

### COMBINED FUND

The new name will be effective from 30 December 2003 and is designed to allow the Board to pursue its strategic plan aimed at reaching an optimum size in a Superannuation Industry which is increasingly regulated and dominated by large industry funds. These changes have led to increasing costs of compliance and a need to be able to compete on the basis of economies of scale to ensure that we can continue to achieve our very low management expense ratios for the benefit of all Members.

The new name will enable us to attract organisations in education and independent school related areas and to offer services in line with our mission which is:

“to provide benefits to Members and their families which will enhance their long-term financial strength, well-being and security.

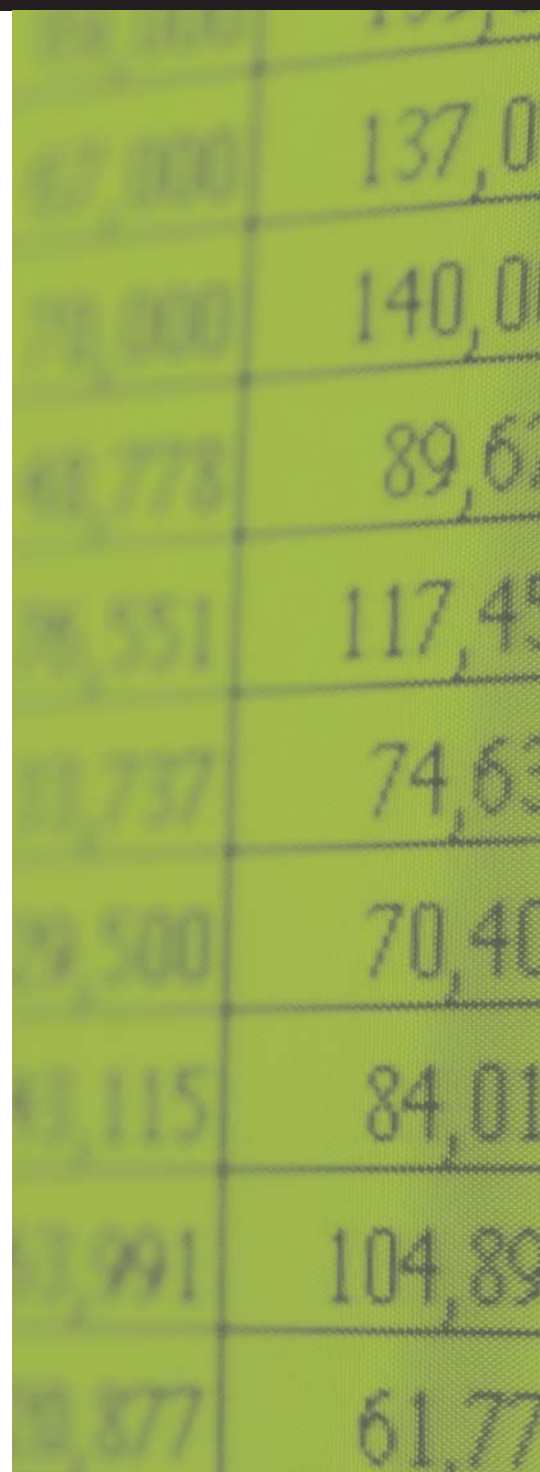
We will do this by providing superannuation and a range of other financial and finance related services which are:

- Innovative
- Member oriented
- Quality driven
- Well managed and controlled
- Low cost
- Market competitive and
- Conforming to all legal and regulatory requirements.

We are committed to deliver excellence in Member service at all times.”

We are conscious that any name change is significant and have been careful to retain a name which reflects our roots and yet makes it possible for us to go forward in pursuit of our Member’s interests.

John Evans  
Chairman



## BENCHMARKS AND RANGES – BALANCED OPTION

	Benchmark %		Ranges %
Australian Equities (incl. hedge funds)*	47.5		35-55
International Equities (incl. hedge funds)*	22.5	82.5	10-25
Australian Property	12.5		10-15
Fixed Interest (incl. hedge funds)	15.0		5-20
Cash	2.5	17.5	0-Balance
	<u>100.0</u>		
*Hedge Funds (included above)	15.0	15	0-15



## Pick the Index Competition

Our last Quarter's competition, to predict the S&P/ASX 300 Index closing figure at 30 April 2003 was won by **Pam Thompson** from **Goulburn Valley Grammar School**. The index was 3002.6 and Pam's entry was the closest.

Here we go again.

As at 30 April 2003 the S&P/ASX300 Index was

# 3002.6

Fax this page before 15 July 2003 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 31 July 2003 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.

## Member Investment Options – Unit Prices

The following are the respective Unit Prices for each Investment Option, as at 30 April 2003.

	Unit Price		%
	31/12/2002	30/4/2003	
Australian Shares	1.40411	1.41569	0.82%
International Shares	0.81672	0.77279	(5.38%)
Fixed Interest	1.21801	1.23842	1.68%
Property	1.42037	1.45811	2.66%
Balanced	1.20444	1.19862	(0.48%)
Capital Stable	1.20760	1.21898	0.94%
Ethical	1.08119	1.06396	(1.59%)
Cash	1.16584	1.17895	1.12%

## Personal Income Tax Cuts

From 1 July 2003, personal income tax rates will be amended as follows:

Current \$	New \$	Rate %
0-6,000	0-6,000	0
6,001-20,000	6,001-21,600	17
20,001-50,000	21,601-52,000	30
50,001-60,000	52,001-62,500	42
60,000+	62,501+	47

- Increase of low income tax offset from \$150 to \$235;
- Medicare levy low income thresholds will increase to \$15,062 for individuals (\$25,417 for families) plus \$2,334 for each dependent child or student (from 1 July 2002).

## CSSF Derivatives Policy

The Trustee has adopted a policy on derivatives that prohibits the Trustee from investment directly in derivatives in its own right. The policy allows derivatives (eg options, warrants, futures and swaps) to be utilized by the Fund's investment managers for the following purposes:

- to protect the value of the Fund's assets and reduce risk, volatility of capital values and currency changes or to remove unwanted characteristics of securities,
- to efficiently alter the effective distribution of assets amongst investment sectors under the terms of appointment as a tactical asset allocation manager,
- to gain exposure to particular markets or companies in accordance with agreed investment management strategies, which also includes long and/or short exposures to particular market and securities,
- to achieve effective change in investment allocations and to reduce transaction costs and the effect of price movements,
- to more effectively manage risk and duration exposure.

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