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# Default Investment Strategy Guide

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## **Important disclosure**

This information is current as at 30 June 2008.

Suncorp Portfolio Services Limited (ABN 61 063 427 958, AFSL 237905, RSE Licence No L0002059) (Trustee) is the issuer of this Guide and takes responsibility for its contents.

This information is of a general nature only. It does not take into consideration the objectives, financial situation or needs of any potential investor. A potential investor should consider the appropriateness of the material having regard to their objectives, financial situation or needs. They should refer to the relevant Product Disclosure Statement which can be obtained from us before deciding to acquire or continue to hold a product issued by the Trustee.

Throughout this Guide 'we', 'us', 'Trustee' and 'Asteron' means Suncorp Portfolio Services Limited.

The Trustee is a subsidiary of Suncorp-Metway Limited (Suncorp) ABN 66 010 831 722. The obligations of the Trustee are not guaranteed by any other company in the Suncorp Group.

# What is a default investment strategy?

A default investment strategy is the investment option, or combination of investment options, where employees' superannuation benefits will be initially invested. The default investment strategy will apply to all contributions and rollovers received for an employee until the employee elects to change their investment options or the default investment strategy is altered.

Asteron recognises that individuals have different needs and has designed its products to allow employers the flexibility of nominating a default investment strategy suitable for their employees. This guide aims to provide information on how to nominate an initial default investment strategy and the steps involved in altering an existing strategy.

## Nominating the default investment strategy

### The Trustee's role

The Trustee's role is to protect the financial interests of members in its superannuation funds. As part of this role, Asteron must ensure that any default investment strategy is consistent with its obligations under superannuation and trust law.

Accordingly, Asteron must ensure that a default investment strategy is both suitable and prudent, and meets the investment objectives of its members. We must also ensure that the member circular, provided to employees before any change in a default investment strategy, includes sufficient information for each member to understand the changes that will occur. A sample member circular is provided on page 7.

While it is the employer's responsibility to make recommendations on their default investment strategy, at law, the Trustee is solely responsible for setting the default investment strategy.

### The employer's role

The employer may nominate a default investment strategy to the Trustee for their employees. The Trustee has discretion as to whether to accept the recommendation. In making the recommendation, the employer should consider the needs of their employees as a group.

### The adviser's role

The adviser's role will be as agreed with the employer and will generally be to assist the employer:

- » establish their investment objectives
- » design their initial default investment strategy
- » monitor the default investment strategy, and
- » when appropriate, recommend alterations to a default investment strategy.

### Establishing the investment objectives

The investment objectives suitable for an employer's plan will depend upon their employees. While a group of individuals will all have different financial needs, the investment objectives for a corporate plan should attempt to capture the needs of the employees as a group.

Factors to consider include age, time to retirement, attitude to risk and the employees' level of understanding of financial products.

## Options available for an initial default strategy

The Trustee has a pre-approval process for employers who select their default investment strategy based on one of the following options:

### Option 1: Pre-approved default investment options

The following options are pre-approved investment default options:

- » Intech Conservative Growth Trust
- » Intech Balanced Growth Trust
- » Intech Growth Trust.

### Option 2: Model asset allocations, investment fee limit and research house ratings guidelines

For pre-approval, an employer default investment strategy must fall within the ranges for asset allocations, fees and research house ratings, as set out in the below tables.

**Table 1** Shows the pre-approved selection of strategic asset allocation ranges, which cater for typical diversified portfolios ranging from conservative to growth.

**Table 2** Shows the pre-approved upper limit for the investment fee for a default investment strategy.

**Table 3** Shows the pre-approved research house indicators, for all investment options within a default investment strategy.

Table 1.

Asset sectors	Strategic Asset Allocation ranges
Cash	0%-30%
Australian Fixed Interest	0%-25%
International Fixed Interest	0%-25%
Defensive investment options, ie Cash, and Australian and International Fixed Interest should not exceed:	70%
Property	0%-30%
Australian Shares	10%-60%
International Shares	5%-60%
Alternative Assets	0%-25%
Growth investment options, ie Property, Australian Shares, International Shares and Alternative Assets combined, should not exceed:	77%

Table 2.

Investment fee	Maximum fee
Investment fees should not exceed:	1.05% pa

Table 3.

Research House:	Van Eyk	Lonsec
Pre-approved ratings	AA,A,BB,B	Highly Recommended, Recommended, Investment Grade
Ratings that would require further Trustee review of the default investment strategy	Hold, information only, screened, Fund Watch	Hold, Fund Watch, Redeem

Employers may select a default investment strategy which is different to the pre-approved default investment options and falls outside the ranges of asset allocation, fees, and research house ratings as mentioned above, however these selections will require Trustee approval which may take up to six weeks. Details of all available options are set out in the relevant Product Disclosure Statement (PDS).

## Disclosure requirements for underlying investment options

We are required to ensure that the PDS(s) for the financial product(s) underlying each investment option for our products be made available to the employer and their employees.

The PDS published by the investment manager of each underlying financial product can be found at [www.asteron.com.au](http://www.asteron.com.au)

Before an employer establishes or changes their plan's default investment strategy, it is required that they declare they have read the PDS(s) of the underlying financial product(s) of that investment option and not have been notified about material changes or significant events that adversely affect a matter that should be in the PDS(s) for those underlying financial products.

## Implementing the initial default investment strategy

Employers can make their default investment strategy recommendation on the Application form included in the relevant PDS.

It takes up to five business days to implement a pre-approved default strategy, as outlined on page 2. Approval will take up to six weeks for all other recommendations. If accepted by the Trustee, the default investment strategy will then be used for all contributions and rollovers into the plan, excluding those for employees who have subsequently selected an alternative investment strategy. Employees will receive notification of the investment strategy which applies to them in their Welcome Pack.

In the event that we are unable to accept a default investment strategy, we will contact the employer or the adviser seeking further information. In some circumstances, contributions may be invested into the Trustee's default investment strategy.

## Trustee's default investment option

Employees' superannuation benefits will be invested in the Trustee's default investment option if:

- » an employer joined Asteron without selecting a default investment strategy, or
- » we are unable to accept the employer's proposed default investment strategy and the employee has not nominated an alternative strategy.

## Altering the default investment strategy

There are two options available when altering a default investment strategy. An employer or Policy Committee can choose to:

- » apply changes to employees' future contributions only, or
- » apply changes to employees' existing investments as well as their future contributions.

It is more common to apply any changes to both the existing investments and future contributions, as it is generally more appropriate to adopt a single, consistent strategy rather than a mix of different strategies. However, changes to existing investments will require individual member consent.

## Outline of the process

Because employees have previously been notified of the default investment strategy that applies to them, any change to that strategy must be preceded by a notification period of at least 30 days.

The purpose of this notification period is to ensure that sufficient time is allowed to provide members with ample notice of the changes. Should any employees consider the changes unsuitable for their needs, this process provides sufficient opportunity for them to take alternative action.

Asteron has a three-step process for altering a default investment strategy, beginning with the recommendation of changes, followed by the approval and notification, and finally, the implementation of the requested changes.

## Step 1. Recommendation

The employer, or the relevant Policy Committee, prepares, with the adviser's assistance, a recommendation to the Trustee and a draft member circular describing the recommended changes. These should be forwarded to Asteron for consideration.

Recommendation to the Trustee	<p>A recommendation to alter a default investment strategy must be signed and submitted by the employer, or the relevant Policy Committee, and should include:</p> <ul style="list-style-type: none"><li>» the recommendation that the Trustee adopts a new default investment strategy</li><li>» the reasons behind the proposed changes</li><li>» how the changes will affect the employees' superannuation benefits, and</li><li>» a proposed implementation date – a minimum of six weeks for approval and 30 days for member notification.</li></ul> <p>Please refer to page 5 for an example of a recommendation.</p>
Member circular	<p>The member circular must include all information that the Trustee generally believes an employee would require in order to understand how the proposed changes will affect their superannuation benefits. Accordingly, the member circular should address the following points:</p> <ul style="list-style-type: none"><li>» a brief explanation of a default investment strategy</li><li>» an outline of the current and proposed default investment strategy, incorporating the:<ul style="list-style-type: none"><li>– investment objective</li><li>– investment strategy and</li><li>– asset allocations</li></ul></li><li>» an explanation of how employees may be affected by the changes</li><li>» the proposed implementation date, which is usually four to six weeks after Trustee approval of the draft member circular</li><li>» any action that may be required by employees, such as considering alternative investment strategies or seeking independent financial advice</li><li>» request for member consent if the new investment strategy is to be applied to existing investments, and</li><li>» appropriate contact details for those employees who may have further queries.</li></ul> <p>Please refer to page 7 for an example of a member circular.</p>

## Step 2. Approval and notification

If the new default investment strategy does not fit in with the pre-approved conditions (refer to page 2), we will confirm whether the new default investment strategy will be formally adopted, within six weeks following the receipt of a recommendation to the Trustee and draft member circular. If formally adopted, we will confirm with the employer and their adviser the final implementation date and any other amendments that may be required for the member circular.

Once approved, the completed member circular can then be distributed to all eligible employees, at least 30 days before the implementation date. Written confirmation of the distribution date should be provided to Asteron.

## Step 3. Implementation

We will implement the new default investment strategy on the implementation date and make any required changes to employees' accounts.

Please note that members may incur a buy/sell spread in the investment options the employer has selected.

For those changes involving a switch of existing investments, each employee must provide consent and will receive a written confirmation once their new default investment strategy has been implemented.

Where the changes in the default investment strategy apply to future contributions only, no specific confirmation will be issued to employees. In this case, all relevant information for members would be contained in the member circular.

## Where a recommendation is not adopted

If the Trustee is unable to accept the recommendation to alter the default investment strategy, the employer and their adviser will receive written notice outlining reasons why the recommendation was not considered suitable. In such a case, the employees' superannuation benefits will remain in the currently approved default investment strategy.

In some circumstances, such as the termination of an investment option, contributions may be invested into the Trustee's default investment option.

# Appendix 1 - Trustee recommendation

---- PLEASE NOTE THIS IS AN EXAMPLE ONLY ----

## Fax

To: Suncorp Portfolio Services Limited                      Fax: 02 8275 3108  
Trustee, XYZ Corporate Super

From: John Citizen    Fax: 02 1234 5978  
Superannuation Policy Committee                      Phone: 02 1234 6789  
ABC Pty Limited

Date: 1 May 2008

Page(s): 2

Re: XYZ Corporate Super  
Proposed change to default investment strategy  
ABC Pty Limited  
Employer number: 12345678

In conjunction with our adviser, Peter Service from TOP Financial Planning Limited (TOP), we have recently completed a review of our superannuation arrangements through XYZ Corporate Super. Part of this review involved specific consideration of a new default investment strategy.

## Current default investment strategy

The current default investment strategy for ABC Pty Limited's superannuation arrangements in XYZ Corporate Super are:

Fund Manager A - Diversified Capital Stable Fund	50%
Fund Manager B - Balanced Fund	50%

This investment strategy comprising the above funds in the ratios specified provides a combined asset allocation as follows:

Cash	25%
Australian Fixed Interest	40%
Australian Property	10%
Australian Shares	15%
International Shares	10%

These funds are predominantly invested in defensive cash and fixed interest securities (65%). While these are relatively low risk assets, they are not likely to provide capital growth and higher returns over the longer term when compared to a strategy with a higher allocation to growth assets such as shares and property.

The total weighted investment fee for this investment strategy is approximately 0.75% pa.

## Proposed new default investment strategy

Given that the majority of ABC's employees are at least 10 years away from retirement, the Superannuation Policy Committee is of the belief that employees, as members of XYZ Corporate Super, should have greater exposure to growth assets than at present. To this extent, TOP recommended the following investment objective, investment strategy and fund selection for a new default investment strategy.

### Investment objective

Investment returns which are 3.5% above the rate of inflation over a four to five year period.

### Investment strategy

Significant exposure to growth assets (70%) such as Australian and international shares and property, with the balance of the asset allocation in fixed interest securities and cash.

### Fund selection

Fund Manager C - Enhanced Balanced Pool	25%
Fund Manager D - Diversified Growth Fund	25%
Fund Manager E - Australian Shares Fund	30%
Fund Manager F - International Shares Portfolio	20%

A new default investment strategy comprising the above funds in the ratios specified would provide a combined asset allocation as follows:

Cash	10%
Australian Fixed Interest	10%
International Fixed Interest	10%
Australian Property	10%
Australian Shares	40%
International Shares	20%

The Superannuation Policy Committee agrees with TOP that this investment profile is more appropriate for its constituent members in the future than that provided by the current default investment strategy.

### **Recommendation**

The Superannuation Policy Committee of ABC Pty Limited recommends approval by the Trustee of the XYZ Corporate Super of the following:

- » acceptance of the new default investment strategy proposed above
- » implementation of this change of default investment strategy from 1 July 2008
- » application of the new default investment strategy to relevant members' existing investments and future contributions (the Superannuation Policy Committee of ABC Pty Ltd understands that member consent must be obtained before any changes are made to members' existing investments), and
- » issue of the attached draft member circular.

John Citizen  
Chairman  
Superannuation Policy Committee  
ABC Pty Limited

# Appendix 2 - Member circular

---- PLEASE NOTE THIS IS AN EXAMPLE ONLY ----

## Member circular

To: All Staff Members of XYZ Corporate Super  
From: ABC Pty Limited - Superannuation Policy Committee

Date: 1 June 2008

Re: Superannuation arrangements in XYZ Corporate Super - proposed change to default investment strategy

## XYZ Corporate Super

As you are probably aware, ABC Pty Limited has chosen XYZ Corporate Super as the superannuation fund through which we provide superannuation for our employees.

## What is the default investment strategy?

The default investment strategy is the investment option(s) within XYZ Corporate Super into which your benefits will be invested if you do not make your own choice from the investment options available.

XYZ Corporate Super provides for the default investment strategy to be formulated between the company's Superannuation Policy Committee and our investment adviser, TOP Financial Planning Limited (TOP).

Under superannuation law, in all instances, the Trustee of XYZ Corporate Super (Suncorp Portfolio Services Limited) must approve the initial default investment strategy and any subsequent recommended changes. This member circular, therefore, is relevant only to members whose benefits are currently invested in accordance with the default investment strategy.

## Current default investment strategy

The current default investment strategy for ABC Pty Limited's superannuation arrangements in XYZ Corporate Super is as follows:

Fund Manager A - Diversified Capital Stable Fund	50%
Fund Manager B - Balanced Fund	50%

The current combined asset allocation for these funds is:

Cash	25%
Australian Fixed Interest	40%
Australian Property	10%
Australian Shares	15%
International Shares	10%

These funds are predominantly invested in defensive cash and fixed interest securities (65%). While these are relatively low risk assets, they are not likely to provide capital growth and higher returns over the longer term when compared to a strategy with a higher allocation to growth assets such as shares and property.

The total weighted investment fee for this current default investment strategy is approximately 0.75% pa.

The historical returns for these funds have been as follows:

Period	'A'	'B'
Year to 30/06/2007	4.11%	10.65%
Year to 30/06/2006	10.01%	8.63%
Year to 30/06/2005	7.08%	7.89%
3 years compound average to 30/06/2007	7.04% pa	9.05% pa
5 years compound average to 30/06/2007	8.23% pa	9.78% pa

**Past performance should not be taken as an indication of future performance.**

### Proposed new default investment strategy

Given the majority of ABC's employees are at least 10 years away from retirement, the Superannuation Policy Committee is of the belief that employees, as members of XYZ Corporate Super, should have greater exposure to growth assets than at present. To this extent, TOP has recommended the following investment objective, investment strategy and fund selection for the new default investment strategy.

#### Investment objective

Investment returns which are 3.5% above the rate of inflation over a four to five year period.

#### Investment strategy

Significant exposure to growth assets (70%) such as Australian and international shares and property, with the balance of the asset allocation in fixed interest securities and cash.

#### Fund selection

Fund Manager C - Enhanced Balanced Pool	25%
Fund Manager D - Diversified Growth Fund	25%
Fund Manager E - Australian Shares Fund	30%
Fund Manager F - International Shares Portfolio	20%

The combined asset allocation for the above funds comprising the new default investment strategy is currently:

<b>Cash</b>	10%
Australian Fixed Interest	10%
International Fixed Interest	10%
Australian Shares	40%
International Shares	20%
Australian Property	10%

We would expect that longer term returns from this new default investment strategy will be greater than what could be expected under the existing strategy, however, there may be greater volatility in investment returns from year to year.

The total weighted investment fee for the new default investment strategy is approximately 0.80% pa.

The historical returns for these funds have been as follows:

Period	"C"	"D"	"E"	"F"
Year to 30/06/2007	12.26%	9.69%	13.24%	26.50%
Year to 30/06/2006	9.93%	16.37%	22.75%	25.67%
Year to 30/06/2005	8.83%	9.20%	15.06%	17.32%
3 years to 30/06/2007	10.33% pa	11.71% pa	16.94% pa	23.09% pa
5 years to 30/06/2007	10.99% pa	11.96% pa	16.10% pa	18.37% pa

#### Past performance should not be taken as an indication of future performance.

Please note that you may incur a buy/sell spread in the investment options you have selected.

#### Implementation date

This change will apply to future contributions effective 1 July 2008. For existing investments, this change will be implemented upon receipt of your consent.

**Action required**

If you are presently invested in accordance with the current default investment strategy and wish to accept the changes as outlined above for future contributions only, you are not required to take any action as the changes will happen automatically on the implementation date.

If you also wish to apply the changes outlined above to your existing investments, please provide us with your consent. You will receive confirmation from Asteron that your benefits have been switched into the new default investment strategy on the implementation date.

You should bear in mind, however, that XYZ Corporate Super has a wide range of investment options from which you can choose. Members who would prefer to pursue their own investment strategy should consult TOP for advice. Full details of the available investment options (including the above option(s) comprising the new default investment strategy) can be found in the Product Disclosure Statement, which can be obtained via the Superannuation Policy Committee, from your TOP adviser, Asteron's website at [www.asteron.com.au](http://www.asteron.com.au) or direct from Asteron Client Services.

**If you have already selected your own investment strategy, this change to the default investment strategy will not affect you.**

**Further information**

If you have any queries about the change of default investment strategy, please contact either a member of ABC's Superannuation Policy Committee or Asteron Client Services on 1800 819 499.

Should you require advice in relation to your superannuation investment in XYZ Corporate Super, please call Mr Peter Service at TOP on 02 9876 5432 to arrange a consultation.

John Citizen  
Chairman  
Superannuation Policy Committee  
ABC Pty Limited



AT YOUR FINANCIAL SERVICE®

## Contact us

### Asteron Client Services

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