

### What is the Australian Shares investment option?

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

### What are Australian Shares?

Investing in a company's shares means you own part of that company. Investment returns from shares are derived from dividends, which are company profits distributed to shareholders, and changes in share values over time.

All our Australian shares are listed on the Australian Stock Exchange. When compared over time to other investments, shares provide high growth potential with a high level of investment risk.

### Investment Objective

To outperform the target return.

### Target Return

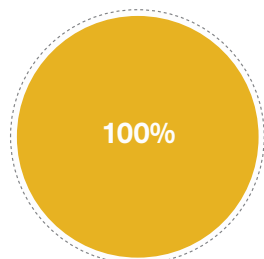
S&P/ASX200 Accumulation Index\* over the investment timeframe (7 years +)

\* The S&P/ASX 200 Accumulation Index measures the performance of the largest 200 companies listed on the Australian Stock Exchange, with each company's performance contributing to the index in proportion to its relative market size. Dividends paid by companies are included in this calculation of performance.

### Strategic Asset Allocation (SAA)

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

However, rapid market movements and irregular levels of cash flow mean that we cannot always strictly adhere to our SAA percentages. To ensure that members know how far away from the SAA percentages that this option may move, we have set 'ranges' within which this option will always invest.



Investment sector	SAA %	Range %
Australian shares	100	95-100
Cash	0	0-5
<b>Total</b>	<b>100</b>	

	SAA %	Range %
Foreign currency hedging	N/A	N/A

### Overview of this investment option

Inception date	1 October 2003
Current assets	\$320.4 million
Unit prices at <b>31 March 2012</b>	<b>Pension accounts</b> 1.034723 <b>Non-pension accounts</b> 1.028179
Number of investment manager products used in this option	8
Number of individual investments in this option	Approximately 200
Investment costs	0.43%
Performance fees	0.13%
<b>Total investment costs</b>	<b>0.56%</b>

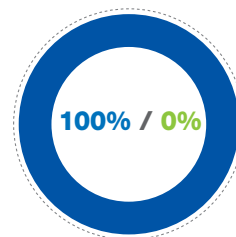
### Investment Profile (SAA)

#### Investment Risk: High

Negative returns expected in 5 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.

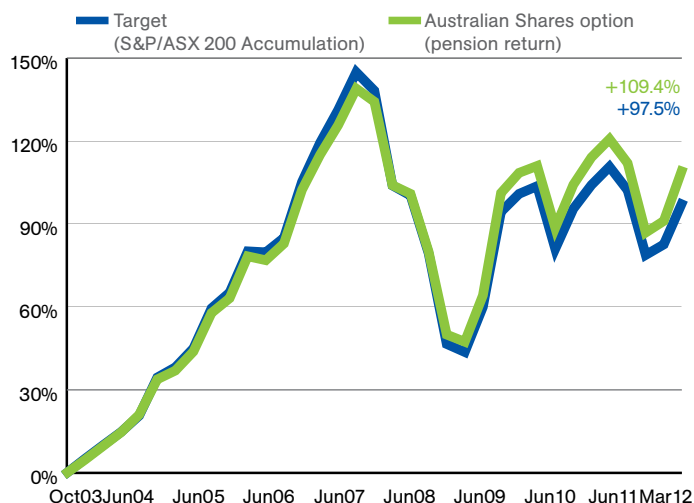


### Investment performance \*

	Pension accounts	Non-pension accounts
3 months	9.58%	8.58%
1 year	-5.13% pa	-4.00% pa
3 years	12.41% pa	10.66% pa
5 years	-0.53% pa	-0.51% pa
Since inception	9.08% pa	8.34% 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

We use professional investment management firms to manage our Australian Shares for us. We use the same managers for Australian shares in both the Australian Shares option and the pre-mixed options.

### How is the return in this option achieved?

There are several main factors that affect the returns for members in this option:

- ▶ how the Australian economy is performing or is expected to perform (and for companies that do business both here and overseas - how global economies are performing)
- ▶ the skills of the management in the companies in which we invest
- ▶ the current and projected profitability of the companies in which we invest
- ▶ the skills of the investment management firms we use
- ▶ future expectations for the market ("market sentiment").

### What are the risks associated with investment in Australian Shares?

We use several fund managers for investing in Australian shares, each of whom has their own objective and strategy for the funds they hold. In this way, manager-specific risk is minimised.

Even with this level of diversification across managers, the Australian Shares investment option is not without risk.

The market price of a company's shares can rise and/or fall every day. This movement in the share price can occur as a result of many factors, some of which may not appear to be specific to the company itself. Remember that a company's share price is simply a market view of the current value of that company. If the market (investment managers, stockbrokers, financial press) changes its view of a company, then those views will impact its share price.

You should expect fluctuations in the returns in this investment option. Returns can be negative.

Of course the financial results and prospects of a company will also affect its share price. Poor results may depress its share price and good results may normally have a positive impact - unless the results were not as good as the market expected, in which case the share price may fall.

Changes in interest rates can also affect share prices. A rise in interest rates will increase the cost of borrowing for companies and may also result in reduced consumer spending. Both these factors will reduce business profits and may lead to a fall in share prices. Likewise, a fall in interest rates may have a positive impact on share prices.

Competitive factors can also affect a company's share price. For example, if a new company was proposing to enter a particular market (eg a new bank, airline, phone company, retailer etc), this may lead investors to be uncertain about the future profitability of the companies currently operating in that market. This may result in a fall in the share price of the current operators. Likewise, the withdrawal of a company from a particular market may result in increased sales and profitability for those companies remaining in that market, and their share price may rise.

### Investment managers used for this option

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

Investment Managers	% of option
Ausbil Dexia	20%
Ellerston	5%
GMO	11%
Goldman Sachs	8%
Kosmos	7%
Macquarie	11%
Maple-Brown Abbott	21%
State Street Global Advisors	17%
	<b>100%</b>

### Top 10 Shareholdings

1. BHP Billiton	6. Commonwealth Bank
2. ANZ Bank	7. Rio Tinto
3. National Australia Bank	8. Wesfarmers
4. Westpac Banking Corp	9. Woolworths
5. Telstra	10. Woodside Petroleum

### Tax treatment

Investment earnings on non-pension accounts in a superannuation fund are taxed at 15%. However, for the Australian Shares option, this tax is reduced by:

- ▶ imputation credits (or tax rebates) attached to dividends, and
- ▶ capital gains tax concessions, where a share is 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 7% 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.

### 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.

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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