

### What is the MultiStrategy investment option?

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

This option predominantly invests in Absolute Return funds. Absolute Return funds aim to generate consistent, positive returns each year with a low fluctuation in those returns (although returns can be negative). This option also invests in cash.

### Investment objective

Achieve moderate returns by primarily investing in strategies that focus on minimising the risk of loss of capital.

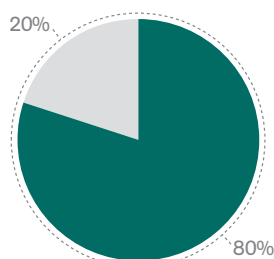
### Target return

At least the Consumer Price Index (CPI) plus 2.5% per annum over the investment timeframe (5 years +).

### Strategic Asset Allocation (SAA)

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

However, market movements, new investment opportunities and irregular levels of cash flow mean that we cannot always strictly adhere to our SAA percentages. We have set 'ranges' within which this option will usually invest, however at times these ranges may be exceeded due to factors beyond the fund's control.



Investment sector	SAA %	Range %
Australian shares	0	0
Private equity	0	0
Infrastructure	0	0
International shares	0	0
Unlisted property	0	0
Absolute return	80	70-90
Fixed Interest	0	0
Cash	20	10-30
<b>Total</b>	<b>100</b>	
	SAA %	Range %
Foreign currency hedging	100	95-100

### Overview of this investment option

Inception date	1 January 2006
Current assets	\$52.7 million
Unit prices at <b>31 March 2012</b>	<b>Pension accounts</b> 1.299137 <b>Non-pension accounts</b> 1.252627
Number of investment manager products used in this option	5
Number of individual investments in this option	More than 1,000
Investment costs	0.76%
Performance fees	0.01%
<b>Total investment costs</b>	<b>0.77%</b>

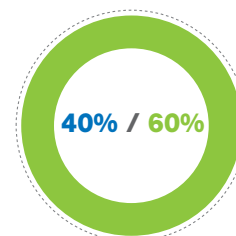
### Investment profile (SAA)

#### Investment Risk: Medium

Negative returns expected in 2 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.

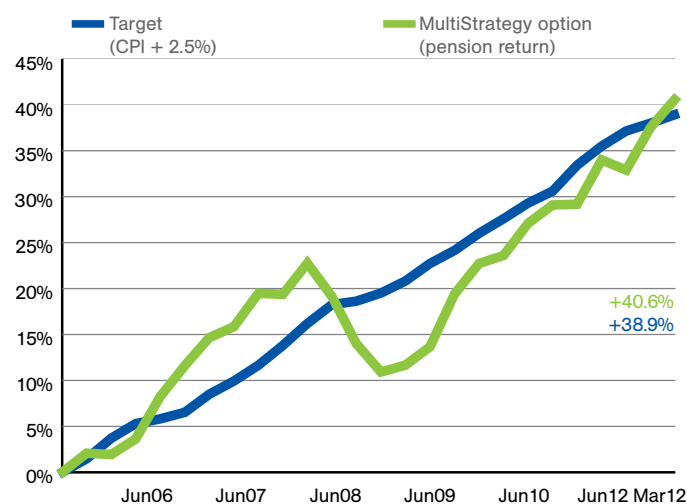


### Investment performance \*

	Pension accounts	Non-pension accounts
3 months	2.23%	1.87%
1 year	8.86% pa	7.48% pa
3 years	8.23% pa	6.95% pa
Since inception	5.61% pa	4.86% 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

As noted earlier, 80% of this option is invested in absolute return funds and 20% is invested in cash. The remainder of this section talks about the absolute return portion of this option.

The investments within an absolute return fund are usually structured so that they have a low correlation with equity and fixed interest markets. A "low correlation" means that returns from these funds are mainly independent of the movements in equity and fixed interest markets.

Whilst the structure of these funds is designed to avoid negative returns as much as possible, negative returns may occur over short or even long periods. As with virtually all investments, neither the initial investment nor returns on the investment are guaranteed. They are not "capital guaranteed" investments.

The words "absolute return" refer to the objective of the fund to achieve positive returns, irrespective of how investment markets are performing, by investing in a variety of strategies. Whilst there is no guarantee of positive returns over any period, the structure and strategy of an absolute return fund is solely focussed on that objective.

In an absolute return fund, the manager of the fund has only one focus - making money. They will put strategies in place to minimise losses, whilst also trying to take advantage of every opportunity to generate positive returns. They generally do not rely on the direction of any market to achieve these returns.

There are many examples of absolute return funds around the world, and there are thousands of different strategies used by investment managers to make money and minimise the risk of loss in existing investments. For example, the manager may invest in shares but also hold futures, options, swaps and currency hedges to minimise potential losses.

We use external investment managers and an investment consultant to assist us in the investment process. All investment managers are regularly monitored by the Trustee and the fund's investment consultant.

### Investment managers used for this option

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

Absolute Return	
BlackRock	54%
GMO	26%
	<b>80%</b>

Cash	
BNP Paribas	1%
Industry Funds Management	9.5%
State Street Global Advisors	9.5%
	<b>20%</b>

<b>Total</b>	<b>100%</b>
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### Foreign Currency Hedging

This option contains overseas assets and therefore has exposure to foreign currencies. However, all of this exposure is currently hedged back to Australian dollars for us by the above investment managers.

The level of hedging can alter at any time and was 100% as at the date of this report.

### Tax treatment

Investment earnings on non-pension accounts in a superannuation fund are taxed at 15%. For the MultiStrategy option however, this tax is reduced by:

- ▶ imputation credits (or tax rebates) attached to dividends on Australian shares;
- ▶ foreign tax credits (or tax rebates) attached to dividends on international shares; and
- ▶ capital gains tax concessions, where eligible assets are 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 12% to 15%, depending on the transactions that have occurred during the relevant period.

This tax has already been deducted from the non-pension accounts investment performance shown on page 1 of this report. That is, those results are the actual returns allocated to members' accounts.

### Explanation of investment sectors

Before you decide which investment option(s) to invest in, it is important to have an understanding of the types of investment in these options, their expected returns relative to each other, and the risks involved.

The MultiStrategy option invests in the following investment sectors.

A brief explanation of each sector follows.

#### Absolute Return

Absolute return funds (also known as 'hedge funds') focus on minimising downside risk – that is, they aim to be positive regardless of how markets are performing, although negative returns may still occur over the short term (as occurred in 2008). We mainly invest in 'fund-of-fund' products which have many different underlying funds with various investment types and styles, providing good diversification and minimising risk. Compared to other investment sectors, this sector provides medium growth potential with a medium level of investment risk.

#### Cash

This sector holds short-term money market investments and fixed interest securities. Like a bank account, interest is earned on these investments. Cash investments usually earn a lower rate of return than other asset classes over the long term and carry the lowest level of investment risk.

### 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:

<b>AGEST Administration</b>	
<b>Phone</b>	1300 724 378 from 8am to 8pm weekdays or + 61 2 4298 6011 if calling from overseas
<b>Fax</b>	1300 664 378 or +61 2 4253 6108 if faxing from overseas
<b>Email</b>	info@agest.com.au
<b>Website</b>	www.agest.com.au
<b>Postal Address</b>	Locked Bag 20 Wollongong NSW 2500