

# Investment News



2nd edition (March 2010)

## AGEST's Balanced option (2009 review and 2010 outlook)

In absolute terms, the investment performance of the Balanced option in 2009 was a big improvement on 2008, as the effects of the Global Financial Crisis (GFC) slowly abated. However the Balanced option did not bounce back as much as listed options like the Australian Shares option, due to the weighting of unlisted assets in the Balanced option. Unlisted assets have been a great help to our performance over many years, so it is worth explaining what happened in 2009 and why we expect this situation to improve in 2010 and beyond.

The valuation of our unlisted assets, which held up well over the worst periods of the GFC (2007 and 2008), fell sharply in 2009. During 2009, unlisted assets made up around 30 - 35% of the Balanced option. When referring to unlisted assets we refer to our investments in unlisted property, infrastructure and private equity. Unlisted assets are valued in a variety of ways and, during 2009, there was so little activity in these markets that the only activity was distressed selling – and those distressed prices flowed through to the valuation of other unlisted assets generally. For example – in property – we may part own an office building that is well tenanted and (in our view) a good investment, however if a similar building owned by someone else is sold at a distressed price, then the valuer of our building will take that sale into account. What occurred in 2009 was that there was so much distress amongst some investors (not AGEST) that sales went through at (what most would consider) very low prices, as it was a buyer's (as opposed to a seller's) market.

Fluctuation in unlisted valuations is not unexpected, but the falls were certainly far more than we would have anticipated in an orderly market – because there was no orderly market, due to distressed selling. This was occurring at a time when the listed markets were recovering strongly, so that gave us a double whammy effect – we were invested significantly in assets that were falling in value (unlisteds) whilst we were not invested as much as some funds in assets that were rebounding sharply (listed assets). As noted earlier, this was a complete reverse of the situation that had helped us achieve top quartile performance in previous years. We expect valuations of unlisted assets to rebound in 2010 and beyond, just as listed markets did in 2009, although the rebound is likely to be more gradual. Already we are seeing better unlisted valuations in some sectors and we expect that the bottom in those valuations may have been reached. We do consider that the underlying assets are sound and that their true value will emerge over time.

## NEW Graphing functionality - Custom Investment Mix

AGEST's graphing tool enables you to visualise the returns achieved by AGEST's 12 investment options.

## Quicklinks

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### Other websites

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- > [Understanding Money](#)
- > [Australian Taxation Office \(ATO\)](#)
- > [Super Guru from the Association of Superfunds of Australia \(ASFA\)](#)

### — STOP PRESS —

AGEST's Product Disclosure Statement (PDS) was recently updated. The new version, dated 1 January 2010, is now available for download on our website - see the downloads menu online or [click here](#).

In relation to investments, the Strategic Asset Allocations (SAA) for some of our 12 options were altered slightly. The PDS includes a full breakdown of each option within the Investments section.

A new feature of our charting area enables you to visualise the performance of a combination of options (for example, how did a mix of 50% AGEST Balanced and AGEST 50% Cash perform over a selected period of time).

This investment mix feature will also show you the overall asset mix of such a combination (for example, how much of the portfolio would be in shares, property and cash based on your percentage mix of AGEST's options).

Its a useful tool and we encourage you to try it out. To access our charts, simply go to AGEST's [Investment returns](#) page and click on any of the 'graph icons' or click on the link titled 'Prepare your own report'.



### Other Investment News

#### NEW Investment Managers appointed

The following investment managers have been appointed to manage a portion of AGEST's investments.

#### Australian Shares Sector

- [Lazard](#)
- [Orbis](#)
- [THS](#)

#### Active Currency Management

- [Pareto](#)
- [Millenium](#)

For more information about these managers, click on their name to access details our webpage dedicated to this manager and our investments with them.

We hope you found this email helpful. Our next edition is scheduled for early 2010. If you would like to provide any feedback or suggestions for our Investment News update, please email to [trustee@agest.com.au](mailto:trustee@agest.com.au).

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