



Last September I wrote to you with some degree of optimism pointing out the swing back to positive investment results since March 2003. I am pleased to report that this trend has continued through to December.

After lower, and even negative returns across all superannuation funds in 2001 and 2002, HIP's Growth Option has returned 8.7% for the 2003 calendar year. A great result which places HIP amongst the top rating super funds. However, the volatility we have experienced recently is a timely reminder that superannuation, like any other investment, needs your full attention to reach its potential.

The New Year is often seen as a time to refocus and set personal goals. Superannuation can too often be overlooked. It is crucial that you continue to scrutinise your retirement savings by reviewing the options HIP has to offer. Are you in the best investment option for your personal circumstances? Can you simplify your super by consolidating multiple accounts? Are you able to allocate more to voluntary saving?

We are committed to giving you the information you need to answer these questions and more. A great place to start is this newsletter and the enclosed investment brochure or visit our brand new online learning centre (see page 3). Our helpful staff are also available to assist you.

HIP's goal is to give you the opportunity to achieve a financially secure retirement. Be assured that we are doing our best to provide quality services and results. A contented retirement is within your reach and the first essential step is to review your super today.

Anthony Wallace, Chairman

A HEALTHY RETURN FOR HIP MEMBERS

Investment update

HIP's Growth Option has returned an impressive 8.7% for the 2003 calendar year. (A great result compared to the average wholesale Balanced Fund which returned 7.6%) This has been achieved despite lowering the risk profile of the Option and slightly reducing the exposure to equities (shares).

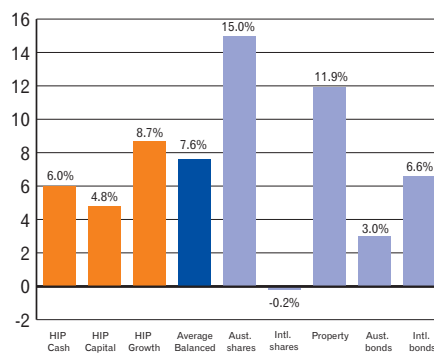
Many of the changes that HIP put in place when it appointed new consultants, JANA Investment Advisers, have already borne fruit, for example over the last six months:

- Unlisted property has returned 4.8%.
- Introducing a pool of new hedge funds (Opportunities) has returned 6.6%.
- New equity managers have done very well, eg Marvin & Palmer (emerging markets) has returned 16.3%.

The more conservative Capital Stable and Cash Options have also done well returning 4.8% and 6.0% respectively.

The graph below shows the return of each option compared the average balanced fund and returns for each asset class for the 2003 calendar year. This shows strong positive growth across most investment sectors, with the exception of international shares.

1 Year Return to 31 December 2003 (%)



The first quarter of 2003 international shares were down 12%. This negative sentiment was due to the prospect of war in the Middle East, SARS and the risk of deflation. However, when these concerns eased, markets strengthened and made up losses to finish the year down just 0.2%. The Australian share market had a much better year, rising by nearly 15%.

When equity markets were falling bonds strengthened, rising to valuations not seen for 40 years. Towards the end of 2003, the improved economic outlook led to a sharp fall in bond values. Australian bonds returned 3% for the year, while international bonds managed a sound return of 6.6%.

These returns illustrate the importance of diversification, or spreading your money across different investments.

Looking forward

Global markets are now more upbeat than they have been in a long time as signs of an economic recovery appear, particularly in the US. The rebound from equity market lows has been very strong in some countries, for example Germany up 80% and the US up around 70% (from 2002). Even the Australian equity market, which didn't fall as far as other markets, is now back at peak levels. However, there remains some risks going forward, particularly if interest rates rise higher than expected, putting a brake on consumer spending and the housing bubble. The rising \$A is also starting to have a negative impact on some Australian companies.

HIP has continued to diversify its investments, and while we expect to provide good returns in a strong equity market environment, HIP is also well positioned to weather any minor upsets along the way.

YOUR SUPER, YOUR CHOICE

riding the investment wave

When you mention 'choice' in a superannuation context, most people immediately think of choosing a super fund. But most superannuation experts agree that investment choice is just as important when saving for a financially secure retirement. HIP already gives you choice plus much more.

As a member of HIP, you are already a part of a quality superannuation fund. No matter where you work you can take your HIP super with you (even in the public sector) and enjoy one of the lowest administration fees, solid investment returns, simple and efficient administration and the right to choose how your super is invested.

When choosing how to invest your super it is important to understand that each person is different and has different investment needs. Consider how comfortable you are when it comes to investment risk and how long you have in the workforce before you retire. HIP has taken the complexity out of choosing an investment strategy by offering you a suite of easy to understand investment options.

If you have an account balance of \$1,000 or more, you can choose to invest your super by selecting either one, or a combination of three core options – Growth, Capital Stable, and Cash.

Your investment options

The Growth Option is considered to be a long-term investment strategy. Eighty percent of the Growth Option is invested in 'growth' assets such as shares (Australian and international), property and infrastructure. The Growth Option is expected to provide the strongest returns over the long term but is also expected to be the most volatile along the way.

The Capital Stable Option is more conservative. Only 35% is invested in 'growth' type investments and the remaining 65% is invested in 'defensive' assets such as bonds and cash. Because the Capital Stable Option has a greater amount invested in 'defensive' assets it is less likely to produce a negative result but may not deliver the long-term gains of the Growth Option.

The Cash Option is the most conservative. It is invested 100% in cash, a 'defensive' asset.

Create your own strategy

HIP also gives you the option to create your own investment strategy by selecting a combination of options. All you need to do is nominate a percentage (in whole numbers) of your preferred options.

The table shows just some of the investment combinations and the corresponding percentages invested in growth and defensive assets.

Growth	Capital Stable	Cash	% growth /defensive
100%	+ NIL	+ NIL	= 80/20%
90%	+ 10%	+ NIL	= 75/25%
80%	+ 20%	+ NIL	= 70/30%
70%	+ 30%	+ NIL	= 65/35%
50%	+ 30%	+ 20%	= 50/50%
NIL	+ 100%	+ NIL	= 30/70%
30%	+ 10%	+ 60%	= 25/75%
20%	+ 10%	+ 70%	= 20/80%
NIL	+ NIL	+ 100%	= NIL/100%

The above table gives an indicative breakdown only with percentages rounded to the closest whole number. The percentage selected for each option must be a whole number and the sum of percentages must total 100%.



See the Member Investment Choice booklet for more information about your investment options.

If you have less than \$1,000 in your account, have never made an investment selection or if you prefer not to choose, then your super is automatically invested in the Growth Option. Although the Growth Option will suit many HIP members, we encourage you to consider your investment options.

How do you make a choice?

See the Member Investment Choice booklet for more information about HIP's investment options. To make your choice, simply complete and return the application form in the enclosed booklet. But remember, before making a choice it is important to work out your personal circumstances. If you are unsure about what option or combination to select, we encourage you to talk to an independent financial planner.

For more information visit www.hipsuper.com.au or phone 1300 654 099. Our online learning centre has some great tips too.

It's your super, choose the investment option (or combination) that suits you best and review your selection regularly.

SUPER MADE SIMPLE online for HIP members

Everyone knows that investments, particularly superannuation, can be quite complex. But, more and more people are finding help on the Internet.

So, while the team at HIP makes every effort to visit workplaces regularly, we can't be at your workplace to answer questions 24 hours a day. So we've created three interactive seminars for you to play through at your leisure on the Internet.

The learning centre provides easy-to-understand explanations of superannuation built around three interactive modular workshops:

- 1. Introducing your super** – introduces key concepts that will get you started on the right track when you first join HIP.
- 2. Nurturing your super** – talks about the best way to manage your super while you are at work.
- 3. Planning your retirement** – superannuation is all about providing for a comfortable retirement. This section will help you get financially organised well before the big day arrives.



Ross Bernays demonstrates the learning centre.

The workshops include voiceover and animation, and the modular format means that you can work through the program at your own pace.

The learning centre will continue to expand over the coming year to include more fact sheets that provide brief and clear explanations of key superannuation topics such as making contributions, taxation, investment choice, and the benefits of mixing up your investments.

NEW SUPER MEASURES boost retirement savings

Retirement savings for lower income earners could be boosted by as much as 70%, if they take advantage of the new co-contribution arrangements recently announced by the government. The new measures effective from July last year means people earning up to \$40,000 pa will be eligible for the super co-contribution.

What is the co-contribution?

The co-contribution is a payment made by the Commonwealth government to the superannuation account of a low income earner.

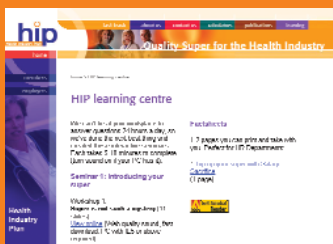
To qualify you have to:

- make a personal contribution to your super
- have an "assessable income" plus "reportable fringe benefits" of less than \$40,000 in the year the contribution was made, and
- have had superannuation contributions made by an employer on your behalf (or have been entitled to employer SG).

How much is the co-contribution?

The maximum co-contribution is \$1,000, and this applies if assessable income and reportable fringe benefits are less than \$27,500 a year. The maximum co-contribution phases down with increasing income, at a rate of eight cents in the dollar. For people earning over \$40,000 pa co-contribution does not apply.

If you qualify you will not have to do anything to get the co-contribution (other than make a personal contribution) as the ATO will use information from HIP and your tax return (make sure your TFN is supplied so this link can be made). Call 1300 654 099 for full details.



visit www.hipsuper.com.au

At www.hipsuper.com.au you are bound to learn something useful about your super. And, if you've got any ideas for improvements, please call us or send an email to hipsuper@superpartners.biz. Feedback from our members is always welcome.

Statistic: 61% of Australians had access to the Internet in 2002 (ABS).

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Health Industry Plan

INSURING YOUR FUTURE

From 1 September last year your automatic death cover has increased – at no extra cost to you – as well as the value of your income protection units (see below). The improvements to death cover are substantial, and represent an increase of around 12%! While we all hope to never have to use any type of insurance, it's reassuring to have great coverage from your super fund, provided at a low-cost to protect you and your family should the unexpected happen.

The improvements we have negotiated are automatic – so you don't have to do a thing. If you've taken out extra cover, this will increase too – but the cost won't.

The table below provides a guide to the new improved benefits:

Death cover		
Age next birthday*	Existing cover	New cover
16 to 36	\$100,000	\$112,000
38	\$90,000	\$100,800
40	\$82,000	\$91,800
42	\$73,000	\$81,700
44	\$64,000	\$71,600
46	\$56,000	\$62,700
48	\$49,000	\$54,800
50	\$42,000	\$47,000
52	\$36,000	\$40,300
54	\$29,000	\$32,400
56	\$22,000	\$24,600
58	\$18,000	\$20,100
60	\$13,000	\$14,500
62	\$9,000	\$10,000
64	\$4,000	\$4,400

*Not every age is shown here. Call HIP on 1300 654 099 for a complete list.

Please note that:

- Death cover still costs only \$1.00 per unit per week.
- The above table only relates to one unit of insurance cover.
- You can apply to take out extra cover at any time, up to a maximum of \$1,000,000 (subject to certain conditions).

This newsletter has been prepared for information purposes only and does not represent, nor is it intended to represent, advice. No individual should act on the basis of the information contained in this newsletter without considering and, if necessary, seeking appropriate professional financial advice.

HIP has substantially increased death and income protection cover without increasing costs to you for the second year running!

Income protection improvements

One unit of income protection now provides a monthly benefit of \$590, or an increase in cover of over 14% from the previous benefit of \$515 – again, with no extra cost. It's still only 91 cents per unit per week. With this increase in unit value you may want to review your level of cover. The number of units you are eligible for depends on how much you earn. You can insure yourself for income protection that provides cover for up to 75% of your income – so you only need to take the number of units that will give you this level of cover and the following tables explain how to do this.

The first table is a guide to the maximum cover available and the number of units you need to insure for this cover. Remember, your insurance covers you 24 hours a day, seven days a week provided your employer makes contributions on your behalf on time.

Income	No. of units	Cover pa
\$28,000	3	\$ 21,000
\$37,000	4	\$ 27,750
\$47,000	5	\$ 35,250
\$56,000	6	\$ 42,000
\$66,000	7	\$ 49,500

Example:

How much do you earn each month, before tax?	\$3,000
Multiply by 75% (x 0.75)	\$2,250
Divide by \$590 (The benefit provided per month for one unit of cover)	3.81

Round this number up to the next whole number. (This is the maximum number of units of income protection cover you may apply for, up to a maximum of 75% of your salary). 3.81 rounds up to 4.

In this example, to calculate the cost of this level of insurance cover per week, multiply the number of units required by \$0.91. This is the amount that will be deducted from your account each week. 4 units x 0.91 = \$3.64 per week.

HIP's insurance is really great value for money and the premiums are deducted from your super account, not your pay. And you can change your insurance at any time.